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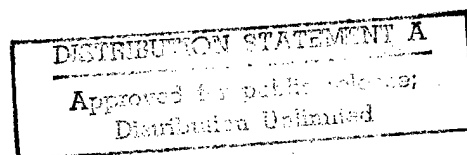
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China Report

ECONOMIC AFFAIRS

No. 335



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6 May 1983

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL ECONOMIC POLICY AND ISSUES

IMPORTANCE OF TECHNOLOGICAL PROGRESS EMPHASIZED

Beijing JINGJI RIBAO in Chinese 20 Jan 83 p 2

[Editorial: "Our Hope for Invigorating the Economy Lies in Technological Advance"]

[Text] In his report to the Fifth Session of the Fifth National People's Congress, Comrade Hu Yaobang pointed out: "We must rely to a large extent on advanced technology in production for all-round fulfillment of the Sixth Five-Year Plan. Looking still further ahead toward the magnificent objective of quadrupling the gross annual output value of China's industry and agriculture by the end of this century and then scaling even greater heights, we need all the more to give full play to the enormous role of science and technology."

In the past, one-sidedness in our guiding ideology often led us to rely simply on increases in investment, equipment, and labor power; we failed to make full use of the potential of science and technology in the production sphere, and to turn technology into a giant force for stimulating economic growth. On the contrary, some large projects were carried out without the proper technological studies, which led to major errors in construction. Failure to attend to the technical transformation of existing enterprises resulted in outdated equipment, backward techniques, low output quality, lack of variety, and poor economic results.

There are many obstacles to technological advance. First, the guiding ideology in some departments, regions, and enterprises does not meet the requirements for the development of construction for socialist modernization. There is a very inadequate appreciation of such matters as the transformation of science and technology into production forces, and the key role played by the modernization of science and technology in the four modernizations. Second, some current policies do not encourage enterprises to think about technological advance; whether or not technology is advanced has no effect on the existence of the enterprise, causing technology to stagnate at low levels for prolonged periods. Third, economic norms make few demands regarding technological advance. They do nothing to decrease waste and costs, to improve quality, or to transform the enterprises. Fourth, in the absence of plans and concrete requirements for the technological exploitation of science, many scientific and technological achievements are not rapidly transformed

into productive forces. Fifth, some problems in our economic system--especially "everybody eating out of the same big pot"--discourage technological advance in enterprises.

All of these problems must be resolved in a planned and systematic way. Most important is really to shift the thinking of leaders at every level toward technological advance and technological transformation. Science and technology are the Marxist-Leninist viewpoints on the forces of production: they must be firmly implanted in the thinking of leaders at every level.

An entire series of problems concerning economic policies must be resolved in order to clear the way for technological advance. Problems to be resolved include the following: regular sources of funds must be found for the trial production of new products; tax policies that encourage technological advance must be devised; and ways must be studied to put into practice the principle of determining price on the basis of quality.

Technical personnel must play their role to the fullest. China presently does not have enough engineers and technicians to meet its needs. However, in some places there are shortages of personnel, while in other places there is a surplus: at present, technical personnel are neither well deployed nor well employed. Therefore, it is still important to implement conscientiously the policies concerning intellectuals, to give them jobs, authority, and responsibility, and to enable them to contribute their wisdom and display their skills without any worries.

We must not indulge in empty talk, but must get moving quickly toward relying on technological advance. We must make plans for technological advance in our trades and enterprises; we must study ways to organize technological development centers; we must work out plans to phase out old products when necessary, and to develop new technologies, new equipment, new techniques, new materials, and new products in our trades and enterprises; we must make full use of the powers granted to our enterprises by the state, and work hard to adopt new technologies and develop new products; we must formulate the necessary regulations to reward technological advance, and to promote the development of new products and try them out in certain areas; and we must also summarize, commend, and propagate advanced experiences in promoting technological advance in our trades and enterprises.

There will be new advances in the new year. If the guiding ideology of the economic leaders at every level is shifted toward technological advance, and if we immerse ourselves in practice and resolve problems, then we will certainly invigorate our economy and there will certainly be a big change in the appearance of our entire country.

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NATIONAL POLICY AND ISSUES

STEPS TO ENLIVEN ECONOMY, STABILIZE COMMODITY PRICES URGED

Chengdu SICHUAN RIBAO in Chinese 24 Jan 83 p 1

[Commentary by staff commentator: "We Must Enliven the Economy and Stabilize Commodity Prices"]

[Text] Maintaining a basic stability in the market and commodity prices has always been the consistent policy of the party and the government. The State Council again emphasized this issue in its circular concerning the readjustment of textile prices. The "circular on continuously stabilizing the market and commodity prices," issued by the Provincial People's Government today, went a step further in drawing up clear plans. This is the demand of the party and the state. It also is the hope of the masses. Government organizations and departments concerned at all levels must conscientiously and thoroughly carry it out.

At present, under the circumstances of enlivening the economy, how can basic stability in commodity prices be maintained? This is a question with which the masses are very concerned about. The party and the government, who also pay close attention to this matter, have taken appropriate measures. First, every measure for enlivening the economy is first place and supplementing 17 with market regulation; important commodities affecting the national economy and the peoples' livelihood and their planned prices are still controlled by the government. In the current readjustment of textile prices, the method of raising some prices and lowering others has been adopted. It has also been stipulated that retail prices of other industrial and agricultural commodities, whose prices are determined by the government, must stay unchanged; commodities purchased at parity must not be resold at a negotiated price; every effort should be made to increase the supply of goods sold at parity. Planned prices form the principal part of market and commodity pricing. If the principal part is stabilized, there will not be much fluctuation throughout the whole. As for commodity prices in the section required by the maker, owing to the differences in levels of production and in demands, some of them can at times rise somewhat, and some can fall somewhat, or they can be a bit higher in the slack season or a bit lower in the slack season. Nonetheless, as the economy becomes more lively, production will develop and communication channels will open up and prices will then become more and more reasonable.

On the other hand, although the strengthening of management is an important factor in maintaining the basic stability in commodity prices throughout the

whole market, an ample material foundation is the determining factor. In the past few years, economic conditions in our province have been very good: there have been bumper harvests every year in agriculture; there has been constant development in industry, and an abundant supply of commodities; and the "seller's market" has changed into a "buyer's market." These conditions have not existed since the late 1950's. As the saying goes, scarcity makes things become more expensive. Once commodities become abundant, values will decrease and prices will drop. The series of policies and measures for furthering enlivening the economy are aimed at raising production and laying a sound material foundation for stabilizing commodity prices and enriching the lives of the people. As for non-staple foodstuffs, which the masses are very concerned about, various government departments concerned are taking selective measures to try to raise production and improve supply in city within a short time. We should have confidence in achieving basic stability in the market and in commodity prices when we have abundant commodities and the necessary market management.

We need to point out that a few comrades working in management units have developed the tendency of thinking that since we want to enliven the economy, we no longer need to emphasize the stability of commodity prices; or, that, economy will not be enlivened if we want to stabilize commodity prices. These two views, although expressed in two different ways, are in essence the same. They assume that enlivening the economy and stabilizing commodity prices are incompatible. The reason is that their guiding ideology lacks a dialectical point of view. Actually, instability in commodity prices is detrimental to truly enlivening the economy, and can only facilitate illegal business and harm the interests of the country and the consumers. Only with stability in commodity prices can production be developed, business be prosperous, and the masses' livelihood be raised. Furthermore, to enliven the economy we must realize the following objectives: we must work hard to develop production, do our best in carrying out service work at each stage before production, and after production, seriously try to solve the merchandising problems of the masses. At the same time, we should make timely readjustments in the market supply, keep down commodity prices, and raise economic benefits through constant improvement of administration and management. These measures will surely lead to a basic stability in market and commodity prices. On the contrary, if we treat enlivening the economy as a good opportunity to earn money, pay attention only to the interests of our own unit, neglect production, consumption, the country and the masses, and pay attention only to prices, raise prices arbitrarily, raise prices covertly, and even go so far as to seek profits by so improper methods as falsifying weights, mixing up grades, and mixing poor quality things in with good ones, it will defeat the purpose as enlivening the economy. If this happens, not only will commodity prices not be stabilized, but it may even help to raise them. Socialist industrial and commercial enterprises should naturally discard these practices and truly march in the direction pointed out in the 12th Party Congress.

To conclude, we must try our best to achieve the goal of enlivening the economy and maintaining a basic stability in commodity prices.

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NATIONAL POLICY AND ISSUES

SICHUAN GOVERNMENT SEEKS TO STRENGTHEN MANAGEMENT OF MARKET, COMMODITY PRICES

Chengdu SICHUAN RIBAO in Chinese 24 Jan 83 p 1

[Article: "Provincial People's Government Issues Circular: (Strengthen the Management of the Market and Commodity Prices and Maintain a Basic Stability in Commodity Prices")]

[Text] The Provincial People's Government recently issued a circular demanding people's governments and departments concerned at all levels to: seriously and thoroughly carry out the decision of the party's Central Committee and the State Council concerning the rational readjustment of textile prices; to take further steps to strengthen the management of market and commodity prices; and to continue to maintain the stability of market and commodity prices.

The circular points out that the party's Central Committee and the State Council recently issued a circular concerning the readjustment of textile prices, and responsible comrades at the State Council also have made relevant speeches in which they pointed out that while doing a good job of readjusting prices of commodities must be firmly stabilized and more material should be organized so as to enrich the market supply. This instruction is very important. Government organizations of all levels must grasp the spirit of the Central Committee's circular and make it as an important task in commercial and commodity price work in the first half of this year. They must take further steps to strengthen the management of market and commodity prices, continuously maintain a basic stability in market and commodity prices so as to stabilize the people's livelihood and develop a good situation of stability and unity. The circular demands government organizations and departments concerned at all levels to thoroughly carry out the following work:

1. Planned prices must be firm and stable. Planned prices of the first and second categories of industrial and agricultural commodities form the principal part of the market and commodity prices. Government organizations of all levels, all economic departments, and every industrial and commercial enterprise must adopt drastic measures to stabilize these prices. Besides the prices of textiles, which are readjusted within the limits set by the State Council, retail prices of other industrial and agricultural commodities, which have list prices set by the state, must not be raised either directly or covertly. Charges for non-commodities which have a direct effect on the people's livelihood handled in this spirit. People who do not observe the above-mentioned regulations will be

punished for violating discipline. In addition to the fact that their illegal earnings will be completely confiscated or returned in full to the consumers, they will also be fined and the chief person responsible will receive administrative disciplinary measures.

2. Strengthen the management of the prices of negotiated purchasing and negotiated marketing. During the process of enlivening the economy, all management units must pay attention to the stability of prices of negotiated purchasing and negotiated marketing. Chief management units particularly must strengthen their sense of responsibility toward the whole market, energetically purchase and sell, readjust the supply at the right moment and keep down market prices. Concerning the first and second categories of agricultural by-producers (including those of the second category transferred to third category products), commodities purchased at parity must be sold at parity, before this year's new products enter the market; these cannot be changed into negotiated prices.

3. Make sure of the commodity supply during the spring festival and conscientiously maintain stability in the price of supplementary foodstuffs. The masses' demand for supplementary foodstuffs will increase around the spring festival. Every management unit should vigorously organize commodity supply and pay close attention to its allocation and transportation so as to enrich the market supply. In particular, supply of commodities like meat, vegetables, oil, sugar, coal, kerosene, matches and salt must be guaranteed. Moreover, propaganda must be conducted to educate the masses to be frugal, instead of holding expensive feasts during the festival. Therefore, appropriate control should be taken in supplying the catering trade, the comparatively scarce non-staple foodstuffs, it uses and everything possible should be done to supply a bit more directly to the masses. Non-staple foodstuffs with negotiated prices should be sold under the principle of earning marginal profits so as to achieve price stability.

4. Strengthen the leadership and make timely inspections. Leadership of all levels must treat the commodity supply during the spring festival and the basic stability of the market and commodity prices as an important matter. Units must be organized to make timely inspection of the condition of commodity supply; quality service must be developed, the number of sales networks must be increased; working hours must be lengthened and attitudes of service must be improved. The "temporary regulations concerning the management of commodity prices" must be implemented conscientiously. Frequent and regular inspection must be undertaken to check the management unit's work in carrying out the purchasing and marketing policy, price policy and its way of deciding prices. Firmly and in a timely fashion correct the handle the illegal practices which harm the interests of the country and the masses, such as raising prices at will, covertly raising prices, falsifying weights, mixing up grades and mixing poor quality things in with good ones. At the same time, advanced elements must be praised and encouraged so as to promote the continuous advance of all commodity price work.

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ECONOMIC PLANNING

PROBLEMS IN SHANXI'S ECONOMIC DEVELOPMENT DISCUSSED

Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 11, 25 Nov 82 pp 3-9

[Article by Wu Dechun [0702 1795 2504] and Zhai Ligong [5049 4539 0501]:
"Several Problems Concerning the Creation of a New Situation in All Fields
of Socialist Modernization in Shanxi"]

[Text] The 12th National Party Congress has set the general objective for our economic construction over the next 20 years, namely, to quadruple the gross annual value of industrial and agricultural production--from 710 billion yuan in 1980 to 2.8 trillion yuan or so in the year 2000--while steadily working for more and better economic results. This will place China in the front ranks of the countries of the world in terms of gross national income and the output of major industrial and agricultural products; it will represent an important advance in the modernization of China's entire national economy; it will increase the income of its urban and rural population several times over; and the Chinese people will be comparatively well off both materially and culturally.

Shanxi, as an important base of coal energy and heavy and chemical industries, is one of the important pillars of our national economic development, and it will have an important role to play in the attainment of this grand objective. Therefore, quadrupling the gross annual value of industrial and agricultural production by the turn of the century or a little earlier is a glorious and great task entrusted to the people of Shanxi by history.

I. The Necessity for, as Well as the Possibility of, Shanxi's Quadrupling the Gross Value of Industrial and Agricultural Production by the Turn of the Century or Earlier

In Shanxi, the gross value of industrial and agricultural production in 1980 was 16.95 billion yuan, or 2.4 percent of the nation's total gross value of industrial and agricultural production in that year. If the gross value of industrial and agricultural production in Shanxi keeps pace with the increase in the national gross value, its gross output value by the turn of the century should be 68 billion yuan. In view of the continued readjustment of the national economic structure and the product mix, the ratios of agriculture and light industry in the nation will be more rational, while heavy industry, as a leading factor in developing the national economy, will enjoy a certain

priority in growth in some areas. Then it can be anticipated that, along with the readjustment of the national economy and the continued progress of technical transformation, there will be an upturn in the ratio of heavy industry in our national economy. From this, we can infer that the southeastern coastal areas and some inland provinces which are economically developed and have a strong foundation for heavy industry should quadruple their gross output value shortly before the turn of the century--before the whole country can actually attain the same objective by the turn of the century. Shanxi, as one of these provinces, should also be a little ahead of the country in this achievement. If by that time Shanxi's gross value of industrial and agricultural production can amount to 3 percent of the nation's gross value of industrial and agricultural production, then the gross value of industrial and agricultural production in the province should reach 85.3 billion yuan, which would be five times the 1980 figure, and the average rate of increase each year should be approximately 8.4 percent. This will be very necessary, and entirely possible, for ensuring large-scale economic development throughout the country.

First, we have the correct line laid down by the 12th National Party Congress and the new, strong leadership of the Party Central Committee as well as the superiority of the socialist system. This is the basic guarantee for accomplishing the task of quadrupling the value of our output. After the founding of the People's Republic, the gross value of industrial and agricultural production in Shanxi in 1950-1979 increased 9.7-fold, at an average annual rate of 8.3 percent. Total industrial output value increased 37.9-fold, an average annual rate of 14.3 percent; and total agricultural output value increased 3.17-fold, an average annual rate of 4.2 percent. In 1953-1979, the national income increased 4.2-fold--an average annual rate of 5.9 percent. This shows a fairly high rate of economic development over the past several decades. It is true that Shanxi in the past was by no means one of the most economically developed regions. Thus the base figure is comparatively lower and the rate of development may have been exaggerated. Economic results may not have been good, either. Nevertheless, we after all have had a high rate of development, which was achieved after several major setbacks. In the future, if we continue to develop the achievements scored after the Third Plenary Session of the 11th Party Central Committee and under the guidance of the line adopted by the 12th National Party Congress, we can certainly display further the superiority of the socialist system, greatly arouse the enthusiasm and creative spirit of the Shanxi people in socialist construction, and triumphantly attain the grand objective of quadrupling the gross value of industrial and agricultural production by the turn of the century or a little earlier.

Second, Shanxi has a fairly solid foundation and good latent resources. After decades of economic construction, it has already set up systems of its own in industrial production and the national economy. In 1981, there were a total of 95.4 million industrial enterprises in the province, and the enterprises owned by the whole people possessed 16.46 billion yuan's worth of fixed assets. In agriculture, in the same year, the province had 54,409,700 mu of arable land, including 16,597,600 mu of paddy fields and irrigated fields. In 1979, agricultural fixed assets reached 3.47 billion yuan in value, and

farm machinery totaled 6,848,400 horsepower. In short, there has been a big development in the industrial and agricultural productive forces in our province, and they form an indispensable material foundation for Shanxi to quadruple its gross value of industrial and agricultural production. Besides, Shanxi has good latent resources as one of its special characteristics. So far, Shanxi is far behind the other economically developed regions in the country with regard to production technology and business management. For example, in 1981 the output value realized per 100 yuan of fixed assets at their original value was 55.7 yuan; this was 58 percent of the national level, which was 96.1 yuan, and only 21.8 percent of Shanghai's 255.3 yuan. If Shanxi can attain the national average, its output value will have increased by 6.643 billion yuan, and if it can attain the highest national level, its output value will have increased by 32.844 billion yuan. In 1981, again, the output per worker in Shanxi was 7,734 yuan; this was only 65.2 percent of the national average, which was 11,863 yuan, and 28.2 percent of Shanghai's 27,390 yuan, the highest in the country. If we can attain the national average, the output value of the province will have increased by 5.019 billion yuan; and if we can attain the highest national level, then our output value will have increased by 23.891 billion yuan. This certainly shows the backwardness of production technology and business management in Shanxi; however, it also shows that Shanxi can do a lot more with its hidden resources.

Third, after several decades of economic construction, we have trained a large industrial army having a certain standard of political consciousness and technical ability, and we now have a contingent of intellectuals and administrative cadres dedicated to the cause of socialist construction. Our science and technology have also developed to a certain extent. The number of laborers engaged in industry and agriculture throughout the province increased from 5.5 million in 1949 to 8,483,000 in 1981, and the number of industrial workers increased from 276,000 in 1949 to 1,835,000 in 1981. The number of scientific research organs increased from 1 in 1950 to 268 in 1981, and the number of technical personnel engaged in the natural sciences in the province increased from 6,300 in 1949 to 158,000 in 1981. This new force likewise will be an important factor in quadrupling Shznxi's gross output value.

Fourth, we have abundant coal energy resources. Energy is an important material foundation for national economic development. Because of the guiding ideology of "taking steel as the key link" in the past, we one-sidedly developed the steel industry as the representative of heavy industry and neglected the development of the energy industry, which has become a weak link in the development of the entire national economy. There is now a national shortage of coal, petroleum, and electricity, and each year the state loses approximately 75 billion yuan because of the shortage of energy. The energy shortage is at present an important handicap to our national economic development. China is one of the few countries in which coal is mainly used in energy consumption. For the foreseeable future, coal will remain the principal regular source of energy in our country. Because of an exceptional advantage in natural resources, Shanxi's coal now occupies an important position in the country with regard to energy production and consumption. In 1981, coal production in the province reached 132.54 million tons, more than one fifth of the national output; and the amount of coal

transferred to the fraternal provinces and municipalities amounted to 84.45 million tons, approximately 80 percent of the total amount of interprovincial transfers. Since the central authorities have a high regard for Shanxi as a base for coal energy, Shanxi's coal output in the future will be increased by an even wider margin. Besides increasing the supply to the whole country, we will still have an abundant supply of coal for our own province. This is an important material guarantee for Shanxi's success in quadrupling its gross output value.

Fifth, we have already achieved political stability and unity. Since the Third Plenary Session of the 11th Party Central Committee, socialist democracy and the legal system have gradually been consolidated, and the party workstyle as well as the social atmosphere have gradually improved--and will continue to improve under the guidance of the line adopted by the 12th National Party Congress. Such a political situation has been very rare since the founding of the People's Republic, and will be an extremely favorable factor.

Sixth, we have strong support from the provinces, municipalities, and autonomous regions throughout the country. In accelerating the construction of Shanxi as a base of coal energy resources, the state is now taking every necessary measure to organize leadership, construction funds, communications and transportation, and science and technology. Many provinces, municipalities, and autonomous regions have carried out economic and technical cooperation with us and given us great help in the form of funds, personnel, science and technology. This is a very important objective condition for Shanxi to quadruple its gross output value.

II. The Need To Follow the Example of the Country as a Whole in Taking Two Different Steps in Quadrupling Gross Output Value

If the gross value of Shanxi's industrial and agricultural production has to be quadrupled by the turn of the century, it will be necessary for us to have an average annual increase of 7.2 percent. If we want Shanxi's gross value of industrial and agricultural production to be within 3 percent of that of the whole country by the turn of the century, it will mean that this gross value will have to be quadrupled 3 years earlier, or in 1997, and that by 2000 it will have slightly more than quadrupled. This will call for an average annual increase of 8.4 percent. An increase either of 7.2 percent or of 8.4 percent means a very high rate of development which cannot easily be achieved, especially since Shanxi originally was not an economically developed region and is very backward in agriculture, transportation, education, science and technology, and public health, which are far from adequate for the task of quadrupling our gross output value. This makes it necessary for us to take two different steps.

In the first stage, or the first step, we should carefully prepare our work in a planned and systematic way. In the first several years, or during the Sixth Five-Year Plan, we should continue to implement the "eight-character" policy of readjustment, restructuring, reorganization, and upgrading. We should readjust the irrational economic structure; vigorously develop agriculture, communications and transportation, education, and science and

technology; reform the system of economic administration; reorganize the enterprises; and carry out technical transformation in a planned way for those key enterprises which have a strong influence on the national income and the people's livelihood. While bringing about a new change in the basic quality of Shanxi's national economy, we should at the same time greatly improve economic results in the province, so as to lay a solid foundation for quadrupling the gross output value. At this stage, we should proceed steadily, and we may have to slow the development down a little. We should have an average increase of 4 percent in the province's gross value of industrial and agricultural production, and strive for a 5-percent increase. In the following several years--that is, during the Seventh Five-Year Plan (1986-1990)--we should further streamline the basic tasks which require long periods of construction, and carefully attend to the construction of communications and transportation and to the development of the departments of coal and heavy and chemical industries, so as to accumulate more resources to ensure that the gross output will be quadrupled. We should also carry out technical transformation more thoroughly and on a larger scale; strive for a basic turn for the better in the province's financial and economic situation; further expand and develop education, science and technology, public health, and the various circulation and services departments; and complete the preparatory work. We can imagine that during the Seventh Five-Year Plan, the rate of increase in the gross value of industrial and agricultural production will be higher than in the Sixth Five-Year Plan, and that it may be possible to obtain a rate of 7.5 percent.

In the next stage, or the next step, which will be taken during the Eighth and Ninth Five-Year Plans, the economic structure in the province, after a fairly long readjustment, will be generally rational. And after the all-round reorganization, the general improvement and fairly thorough technical transformation of enterprises, their productive capacity, production technology, and business management will be at a much higher level; the backward [state of] communications and transportation will gradually be improved; the backward situation in education, science and technology, and public health will be markedly reversed; and the circulation and service departments will be very much developed. The national economy in the province will take on a new complexion and will enter a period of great development with a new posture. It can be anticipated that during these two periods, development in the province will be faster than during the Seventh Five-Year Plan, probably at the rate of approximately 8.3 percent. If we can achieve an even higher rate of development, we will be able to attain the objective of "quadrupling" a little before the end of the century.

III. The Need for a Breakthrough in the Weak Links of Agriculture, Water Resources, Communications, Technical Transformation, Culture and Education, Science and Technology, and Public Health in Order to Quadruple Gross Output Value

First, we should pay attention to agriculture as the foundation of the national economy. For a long time, agriculture in Shanxi has been slow in developing. Between 1950 and 1959, the average annual increase in total industrial output value was 14.3 percent in the province, but the progressive

increase in total agricultural output value was only 4.2 percent each year. In the gross value of industrial and agricultural production, the ratio of total industrial output value rose from 19.1 in 1950 to 73.4 in 1979, while total agricultural output value dropped from 80.9 percent to 26.6 percent in the same period. Although total grain output in the province rose from 5.19 billion jin in 1949 to 14.5 billion jin in 1981--a 1.8-fold increase, with an average progressive increase of 3.2 percent each year--the population of the province increased at an average progressive rate of 2.1 percent, and the nonagricultural population increased at an average progressive rate of 4.7 percent each year, surpassing the increase in grain output by 1.5 percent. Since the Third Plenary Session of the 11th Party Central Committee, the system of responsibility for agricultural production has been extensively adopted in various forms throughout the countryside in the province. Reliance on correct policies and on science has greatly liberated the productive forces and promoted agricultural development. However, since the basic conditions for agricultural production have not fundamentally changed, the ability to resist natural disasters is still very inadequate and cannot meet the requirements of a quadrupling of total output value. In the future, along with the readjustment of the national economy, Shanxi will gradually be developed into an important coal energy and heavy and chemical industrial base. Thus a great deal of resources will be devoted to the development of the coal industry, heavy industry, and chemical industry departments. If all these are not handled well, agricultural development will be adversely affected. Even though the state will give Shanxi a certain amount of support in the supply of grain and light industrial products, yet, bearing in mind the development of grain production in the country as a whole, Shanxi should still vigorously develop its agriculture and truly change the basic conditions for agricultural production in order to reduce the state's burden and to serve the four modernizations of the country.

Second, we should carefully exploit our water resources. Shanxi is located in the hinterland, and the average annual rainfall is only about 500 millimeters. Water is scarce, since Shanxi is short of both surface and underground water. The total amount of water resources is only 14.2 billion cubic meters/year, which works out to a per capital amount equivalent to 17.7 percent of the national average. At present, the available supply of water in the province is some 6 billion cubic meters short of the demand. This causes serious difficulty not only to agricultural development but also to the construction of a base for coal energy, heavy industry, and chemical industry. Therefore, we must attach great importance to the problem of water. The way to solve this problem is to take measures for both preservation and conservation. In the immediate and not too distant future, conservation should receive greater attention, and all practical measures, including legislation and advanced technology, should be adopted for the effective conservation of water. The proportion of recycled water should be increased and a proper ratio for the use of water in industry and agriculture should be set in order to make full use of existing water resources. A more distant goal is to preserve water resources. On the one hand, we should increase the forest cover on a large scale by planting trees and grass on the loess plateau in order to control soil erosion, to retain more surface water, to preserve or improve the ecology balance, and to completely change the water

shortage situation in Shanxi. On the other hand, while organizing the forces for underground water prospecting and for developing potential water resources, we should at the same time, in accordance with the unified planning of the Huanghe Water Conservation Committee, cooperate with the provinces, municipalities, and areas along the middle and lower reaches of the Huanghe for a rational solution of the problem of utilization of that river's water. This will improve the conditions for agricultural production and serve the purpose of national economic development.

Third, communications and transportation facilities should be improved. Shanxi is the "village of coal," and coal is the principal cargo to be transported in huge quantities. Therefore, the development of communications and transportation is a prerequisite for coal exploitation and economic development in Shanxi. Since the founding of the People's Republic, however, Shanxi's coal output has increased more than 40-fold and the amount of coal to be transferred out has increased more than 90-fold. Yet the railway's transport capacity has increased only fivefold, while other supplies requiring transportation have also continued to increase. The result is a serious contradiction between capacity and load in transportation. The pressure on both rail and highway transportation is very heavy. The utilization rate of rail transport has reached 90 percent, far in excess of the critical line of 80 percent, and the strain on capacity is very serious. Even so, the stockpile of coal resulting from the shortage of transportation facilities in the province continues to increase. By the end of 1981, the stockpile amounted to more than 17 million tons of coal, and that of other supplies amounted to more than 5 million tons. To quadruple our gross output value, therefore, we must carefully solve the problem of communications and transportation.

How will this problem be solved? First, while giving full play to the role of the railway as the main force, we should also pay attention to the role of highway transportation. Second, we should combine transformation with new construction, with priority given to transformation, without, however, neglecting new construction. After decades of construction, there are now five railway trunk lines and a number of highway trunk lines. They are the foundation for the development of communications and transportation. In the future, along with the development of the national economy, we must carefully attend to the construction of new trunk and feeder lines for both railways and highways and, more important still, pay attention to the technical transformation of railways as our main concern, so as to increase the transportation capacity and meet the requirements of economic development in the near future. Third, we must correctly handle the relationship between coal and other supplies in transportation. It is true that Shanxi's coal is an important material for ensuring the development of national economy in Shanxi cannot rely on coal transportation alone; there must be rational proportions for various materials in transportation before we can ensure the healthy development of Shanxi's national economy and guarantee the supply of more coal energy for the whole country. Experience has shown that it would be fairly reasonable if approximately 70 percent of rail transport capacity were to be allocated for coal, with the remaining 30 percent for other materials. Failure to keep to this ratio would seriously affect the people's livelihood and bring losses to economic construction in Shanxi.

Fourth, as mentioned before, after more than 30 years of economic construction, the industrial and transportation enterprises in the province now have fixed assets amounting to 16.46 billion yuan in value. This is a reliable material foundation for our socialist modernization and for quadrupling our gross output value. We must give full play to their role. For a long time, because of our one-sided quest for the rate of increase in industrial output value, we unduly stressed the building of new enterprises and neglected the technical transformation of old enterprises. Thus their equipment has become obsolete, their technology is outdated, their measuring and testing conditions are poor, and their products are seriously backward. At present, the equipment used by the majority of industrial enterprises in the province is of the 1950 vintage, and some of it is of the 1930, 1940, or even 1920 vintage; furthermore, most of it is operating with mechanical defects. It is natural that backward equipment and technology will produce backward products. Without technical transformation, technical reform, or the upgrading of products, it will be difficult to attain the grand objective of quadrupling the value of our output.

In conducting technical transformation, we should first attend to the renovation of equipment, including the renovation of production equipment, technical equipment, and the means of measurement and testing. Second, we should pay attention to the reform of technology. Third, we should make great efforts to develop new products so that new products of good quality and performance, long service life, and low consumption will replace those of poor quality and performance, short service life, and high consumption. Efforts should also be made to attain the objective of producing one generation, trial-manufacturing another generation, and preparing to develop a third generation of goods at the same time. Fourth, special attention should be paid to technical reform of the coal trade. Although the annual output of coal in Shanxi now amounts to more than 130 million tons, the progress of washing, selecting, and intensive processing has been slow. The proportion of washed coal is only 9 percent--only 26 percent of the average proportion of 34 percent in the government-controlled coal mines in the country, and much lower than the figure of 67 percent in Liaoning. Raising the proportion of washed coal not only will economize on the use of transportation facilities but also will increase the varieties and specifications of the products and raise the use value of coal and the value of coal products. If the proportion of washed coal in the province can gradually be raised to the level of the government-controlled coal mines in the country, then, supposing each ton of unwashed coal contains 10 percent of waste, there will be an increase of 10 yuan for each ton of washed coal and a reduction of 4.5 million tons in the transportation load each year. Since this figure is equivalent to the annual capacity of the Beijing-Taiyuan Railway, it will mean the [same as] building another Beijing-Taiyuan Railway, and at the same time [will mean] an increase of 450 million yuan in output value.

Technical transformation must be carefully planned and systematically conducted, and any rash, all-out action must be guarded against. During the Sixth Five-Year Plan, we should select for technical transformation mainly those key projects that have a close bearing on the national income and the people's livelihood, call for less expenditure, and show quick, optimal

economic results. We should pay special attention to the coal industry (including coal washing, selection and processing industries), communications and transportation, the coal chemical industry, light industry, the textile industry, and those branches of heavy industry that have an important impact on the development of the national economy. To ensure the smooth progress of technical transformation, we should develop the machinery and metal materials industries a little earlier, so that they can supply advanced technical equipment for other departments. We should also concentrate our resources on technical transformation in industrially developed cities, such as Taiyuan, Datong, Yanchuan, and Changzhi.

Fifth, the backward state of Shanxi in culture, education, technology, science, and public health should be quickly changed. Because of the requirements of the four modernizations drive, Shanxi will gradually be built into a base for coal energy and for the heavy and chemical industries; the departments of coal and coal chemical industry and the other related departments of machinery industry, power industry, metallurgical industry, communications and transportation, and building industry will play increasingly important roles in the national economy. All these are technology-intensive and knowledge-intensive departments, and a large number of scientific and technological personnel, skilled workers, and competent administrators are needed to meet this new demand. At present, the culture, education, science and technology, and public health undertakings in Shanxi are very backward. In 1979, the average number of students receiving a university education was only 10.3 for every 10,000 persons, and the proportion of scientific and technological personnel to the total number of workers and staff members in the units owned by the whole people was only 5.6 percent. At present, production technology and business management in many enterprises are backward, and there is a serious shortage of skilled workers and scientific and technological personnel. Medical and hygiene facilities are also very poor. In the coal departments, for example, the ratio of technical personnel to the total number of workers and staff members is only 1.6 percent in the government-controlled coal mines and 1.06 percent in the local coal mines, being 4.2 and 4.7 percentage points, respectively, below the national average of 5.8 percent. Coal output from the mines of communes and production brigades totaled more than 40 million tons in 1981, but overall there were only slightly more than 50 technical personnel. In the future, we must bear in mind the need to quadruple our output value and pay special attention to the development of culture, education, science and technology, and public health undertakings. We must conscientiously implement the party's policy on intellectuals; develop the role of the existing contingent of intellectuals; gradually increase capital construction investments and administrative expenses in educational, cultural, scientific, technological, and public health undertakings; open up new avenues for schooling by opening various forms of sparetime schools; and encourage self-study. While carrying out cooperation vis-a-vis coal with those provinces and municipalities where these undertakings are more highly developed, we should consider requesting their assistance by furnishing us with qualified teachers, research workers, and medical personnel so as to open various types of universities and specialized colleges as well as secondary professional and vocational schools, to tackle key technical problems, and to build fairly large hospitals. Shanxi would

supply certain amounts of coal, while the expenses and capital construction investments required for these undertakings would be borne by the provinces and municipalities receiving our coal supplies. This not only would reduce the pressure on Shanxi but also would help to train our own personnel, solve our difficult technical problems, and improve the people's medical and public health facilities. In short, we should do everything possible, through various channels, to develop our undertakings in culture, education, science and technology, and public health.

IV. The Need for Good Economic Results in Quadrupling Our Output Value To Give More Substantial Benefits to Shanxi People as Soon as Possible

The goal of socialist production is to ensure maximum satisfaction of the people's increasing needs in their material and cultural lives. We are developing the economy and quadrupling output value only in order to reach this goal. In this connection, we must try every possible way to improve economic results so that, while stepping up our work in the four modernizations drive, we can bring more substantial benefits to the people as soon as possible. In the past, we one-sidedly strived to increase output value and overlooked the need for good economic results. Thus, despite a fairly high rate of development, economic results were not good and the actual national economic growth was not rapid enough. The actual material wealth required for the people's livelihood and for expanded reproduction also was not sufficient, with the result that the material benefits for the people could not be commensurate with the labor they had contributed. Improvement of the livelihood of the urban and rural population was slow, and the people had to live on fairly tight budgets for food, clothing, housing, and travel. The consumption level of urban residents continued to be below the national average, while in the countryside, the consumption level, formerly above the national average, dropped below it. Furthermore, the differences between the national level and our provincial level continue to grow. In 1952, the average consumption level in the province was 6.2 percent below the national average, while in 1978 it had dropped to 11.4 percent below it. In 1952, the average consumption level of the peasants in our province was 6 percent higher than the national average; in 1978, it was 21.4 percent below it. There is also the tendency toward a gradual decline. While trying to quadruple our output value, we must try every possible means to improve economic results so that the broad masses can obtain more substantial benefits in their material and cultural lives in return for the labor they have contributed. The future development of the coal, coal chemical, and power industries in Shanxi is apt to cause pollution, which in turn will cause a deterioration of the living conditions for the people of Shanxi. In view of this real and undeniable problem, we must be aware that these people are contributing to the overall national economy by working under unfavorable environmental conditions. Therefore, the level of their material and cultural lives, which is now below the national average, must gradually be raised to the same or a somewhat higher level so that these people, who are "seeking wealth" through "seeking coal" for the whole country, can quickly obtain more substantial benefits. This will not only help to attain the objective of quadrupling our output value by preserving the enthusiasm of Shanxi people for socialist construction, but will also promote the development of the overall national economy.

To be specific, gaining good economic results means accelerating the increase in the national income so that the national income in the province will keep pace with the gross value of industrial and agricultural production. The national income must be increased before there can be any material guarantees for the people's existence, enjoyment and development, or any foundation for the state's expanded reproduction. More national income spells more material wealth at the disposal of the state and the people. Therefore, in the task of "quadrupling," we must not only require a high rate of increase in our gross value of industrial and agricultural production, but also pay attention to the improvement of economic results and strive for a higher rate of increase in our national income.

Is it possible for the increase in national income to keep pace with or overtake the increase in the gross value of industrial and agricultural production? We believe it is possible. In the past 30 years, there have been 9 years in which the increase in our national income kept pace with or overtook the increase in the gross value of our industrial and agricultural production. For example, in 1953, during the First Five-Year Plan, the gross value of industrial and agricultural production increased at the rate of 10.6 percent, while the national income increased at the rate of 11.4 percent; in 1957, the former increased at the rate of 0.9 percent and the latter at the rate of 3.5 percent. In 1964, during the period of readjustment, the former increased at the rate of 15.4 percent and the latter at the rate of 16.7 percent. In 1978, following the downfall of the "gang of four," the former increased at the rate of 13.9 percent and the latter at the rate of 21.9 percent; and in 1979, the former increased at the rate of 7.9 percent and the latter at the rate of 11.3 percent. We should say that what we could do in the past can certainly be repeated under the new conditions in the future.

In short, we have a grand objective and an arduous task. We believe that, under the guidance of the party's correct line, the people of Shanxi, through their own efforts, can certainly accomplish their great historical task. Shanxi will greet the arrival of the 21st century with a brandnew complexion.

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ECONOMIC MANAGEMENT

COMMERCIAL SECTOR IMPLEMENTS MANAGEMENT RESPONSIBILITY SYSTEM

Shanghai JIEFANG RIBAO in Chinese 3 Mar 83 p 1

/Article: "Practice in an All Round Way the Responsibility System of Contract in the First Half of This Year"

/Text/ The reporter of this newspaper learned from the department concerned that after going through testing points, Shanghai's retail commerce and trades of food and drink and services will systematically practice the contract system or the system of substituting taxes for profits step by step in this year. Among trades concerned, the trades of food and drink, different kinds of services, repairing and fitting, fruits and vegetables, cigarette and confectionery collectives, oil and fermented stuff collectives and retrieving old and discarded civilian goods and materials will basically practice in an all round way the contract system. A few days ago, a leading cadre of the Finance and Trade Office, the People's Government of Shanghai Municipality had the following talk with the reporter of this newspaper on problems needing attention in practicing responsibility system of management according to contracts:

Defining the Aim and Demand of the Contract System

In practicing the responsibility system of contract, the general thought should be: insisting on socialist orientation, serving people and production better, going through reformation to practice the contract system for the purpose of enlivening circulation, promoting economy and making the country rich and benefiting the people. Speaking concretely, first, situations of "everybody eating from the same big pot" and egalitarianism have to be resolutely changed in order to mobilize fully the socialist enthusiasm of enterprises and the workers and staff; second, promoting the formation of an opened commodity circulatory market with many channels but few levels of management and the development of commodity production and exchange; third, improving service manner and raising service quality in order to make it convenient for and to satisfy the consumers; fourth, improving the administration and management of enterprises and strengthen economic result, enabling both the state and enterprises to increase accumulation and the workers and staff to earn more; fifth, look for and cultivate qualified personnel who are good at operating business and conducting financial transactions.

The above are common demands, different trades and each enterprise should go through the contract system to solve specific problems of their own. They should see farther and think deeper, doing their best in studying ways to further carry out reforms in such things as the structure of commercial organization, management form, management feature, field of service and connection of towns and villages in order to meet the needs of economic reform and the economic and social development of Shanghai.

Proceed From Reality and Following the Mass Line

The differences between each trade and each enterprise inside the commercial circle are great. Therefore, contents, forms, ways and steps of contract and methods of distribution and so forth all have to be emphasized in line with conditions of trade, locality and household, situations of only one type or imposing uniformity on all aspects must be avoided. In practicing the contract system, the principle of voluntary participation should be adhered to and the creative initiative of the masses has to be respected. Should the contract system be implemented or not? Could it be practiced or not? When should it be practiced and how to practice it? These questions should be discussed with the masses. Under the prerequisite of accordance with the general demand in carrying out reform, the masses should be encouraged to be bold in breaking with the old and making innovations. In enterprises which are practicing either the contract system or the system of substituting taxes for profits, democratic management must be strengthened and all major problems have to be discussed by all workers and staff or by their congress and then making decisions.

Handling Correctly and Well the Relation Between Four Aspects

Because of the position of commerce in practicing the contract system, it requires not only the handling well of relations between the state, the enterprises and the workers and staff, but also the relations with consumers. Among these four, the state and consumers need particular assurance.

In relations with the state, it must ensure that the state increases more revenue, to realize that the state has a large share, the enterprise has a medium share and the workers and staff have a small share. Some specific trades, enterprises and types of labor service are allowed to share more from the surplus revenue.

In relations with the consumers, price policy has to be firmly implemented, prices are not allowed to be raised at random; it must insist on principles of "be fair in buying and selling;" "genuine goods at a fair price," replacing the good with the inferior, cheating on measurement, shoddy work and cheap materials are not allowed. The range of business, the variety of selling items and the content of services all have to be decided in accordance with the people's needs, and the distribution of small commodities must not be cut. It should hold safeguarding conscientiously the interest of consumers as a major discipline in practicing the contract system.

How can the goals of guaranteeing the increase of state revenue, enterprises retaining more and workers and staff earning more and also safeguarding the interest of consumers be achieved? Viewing from the practice of the previous period, it requires exerting effort in mainly three aspects: (1) Enlarge commodity circulation in proper ways according to policies of management; (2) Reduce waste and losses, and find and make full use of ways in processing and exploiting potentials; (3) Cut down circulated links, pay attention to marketable products, and reduce overstock and circulatory expenses.

It is necessary to lead contracting units to increase income and to strengthen economic result by the above proper ways, and not to take advantage of consumers by improper ways.

Perfecting Methods of Distribution Within Enterprises

In treating profits retained by the enterprise, it should unify plans with due consideration for all concerned, make proper arrangements, look ahead and behind for the possibility of supporting lean times with profitable ones, and do not distribute and use it all up. The portion retained by the state-run enterprises should be distributed reasonably according to a proper ratio of four aspects: (1) The developing fund of enterprise; (2) Redistribution fund used for unified planned expenditure with the same trade which will be turned over to an upper authority; (3) Collective welfare fund of workers and staff; (4) Distributed fund of workers and staff. The portion retained by the collective enterprises after paying taxes also has to be divided into four parts: (1) Fund of common accumulation; (2) Redistribution fund turned over to an upper authority; (3) Common welfare fund; (4) Distributed fund of worker and staff. In distribution to each worker and staff, the principle "distribution according to work" must be implemented, closing the connection of the workers' and staff's income with the management result of the enterprise and the laboring result of each person. It is necessary to sum up the experience of carrying out the responsibility system of management and improving the distributed method of workers and staff in the previous period; further perfect them and try out or expand means of job allowance, floating wage, piece rate wage, enterprise wage and so forth to find a way to combine together the improvement of the workers and staff distribution and the reform of the wage system.

Enhancing Administrative and Management Decision-Making Power of the Enterprise

After the implementation of the contract system or the system of substituting taxes for delivery of profits, enterprises demanded the enhancement of their powers in developing business and operation, in handling financial affairs, in fixing or reducing prices, in appointing or removing cadres, in giving rewards and punishment, and in labor use and wages and so forth. Most of the problems related to these kinds of power could be consulted and studied by bureaus and companies in charge and then determining the extent and limits, enhancing the function and power of contracting enterprises step by step; some problems need to be solved coordinately by departments concerned.

Reforming Wholesale Work and Arranging Well Market Prices

After practicing the contract system, retail commerce will put forward many new demands to wholesale departments, such as the selection styles, a lower point of wholesale, making replenishment of stock more convenient, enlarging contact with factories, buying cross-trade commodities with wholesale prices and adding wholesale to their retail business. At present, wholesale departments should study these particular new problems and adopt positively relevant reform measures to support the retail trade to practice well the contract system. It must adhere to the principle of keeping the market prices basically stable, prevent the appearance of unauthorized or disguised price hikes; meanwhile, appropriate decontrol and flexibility are also needed.

Handling Well the Supplement Reformation in Other Aspects

After the commercial sector begins practicing the contract system or the system of substituting taxes for profits, work of finance, tax, banking, labor use and wage, communication and transportation, municipal administration, industrial and commercial administration and so forth should have coordinate support and be relevantly reformed in order to strengthen the administrative supervision of contracted enterprises. The function and power of industrial and commercial administrative departments should be expanded, and their forces should appropriately be strengthened. When the contract system is widely practiced, the economic legislation must be enhanced in such aspects as conditions of contract, price control, and safeguarding the interest of consumers.

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FINANCE AND BANKING

FUJIAN'S SAVINGS DEPOSITS REPORTED UP 20 BILLION

Fuzhou FUJIAN RIBAO in Chinese 15 Feb 83 p 1

/Article by Xiguang /6932 0342/, Weijin /0251 041A/ and Zhongjun /0022 0193/:
"Savings Deposits in the Fujian Province Was Over Twenty Billion in 1982,
Year of Highest Deposit Rate Since the Founding of the PRC"/

/Text/ Savings deposits both in towns and in villages of Fujian province have increased overall, and the balance by the end of 1982 was over 20 billion, an increase of over 450 million from that of 1981. This made 1982 the year of highest savings deposits in this province since the founding of the PRC.

Savings deposits of last year increased progressively one month after another throughout the province. People's buying trend both in towns and in villages changed from waiting to buy by keeping money in hand to selecting purchases with money saved in banks, and this created a favorable condition for the development of savings accounts for banks. Therefore, a "fast, wide and stable" situation of absorbing savings appeared everywhere.

"Fast" is indicated by the rapidly increasing speed of savings deposits. Plans for increasing savings deposits of all prefectures, municipalities and towns in this province were overfulfilled. The Jiangyang and Putian prefectures surpassed more than 40 percent of the planned target. The savings amount per capita in rural areas of this province already reached 42 yuan and over, an increase of more than 9 yuan from that of the end of 1981. At present, there are four communes whose members' savings deposits are over 10 million yuan in total and 235 communes whose members' savings deposits are over 1 million yuan in total.

"Wide" is indicated by the expansion of saving aspects, the increase of savings accounts and the amount of savings deposits. According to statistics, by the end of last year, there were more than 6.33 million accounts in cities and towns throughout the province, an increase of more than four times that of 1978. In Nan'an county, there was a total savings amount of over 80 million in its villages, the deposits of all its 22 communes have progressively increased 14 million every year for the past 4 years, and of all its peasant households, about 80 percent have opened savings accounts.

"Stable" is indicated by the increase of the percentage of fixed deposits and long-term deposits in the past 4 years. The fixed deposits both in cities and towns were stable in more than 80 percent of the total deposit amount. The percentage of fixed deposits in villages is increasing steadily as well, and was more than 76 percent of the total amount of deposits in 1982, an increase of more than 10 percent from that of 1978. Moreover, banking departments also established more points in their savings network, adding more types of savings accounts and strengthening services in order to attract more people to take part in saving.

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FINANCE AND BANKING

ADVANTAGES OF CONTRACTING FOR PROFIT AFTER TAXES DISCUSSED

Beijing JINGJI RIBAO in Chinese 16 Feb 83 p 2

[Article by Yang Xian]2799 6932 1344]: "Contracting for Profit After Taxes Is Good"]

[Text] The keys to reforming an enterprise management system in a state-managed enterprise are to deal correctly with the relationship between the state and the enterprise, to reform the backward mode of management of "eating out of the same pot" and to arouse the initiative of the enterprise and its staff and workers. The direction of reform is to change the system whereby an enterprise hands over its profits to the higher authorities to a system in which it pays taxes, with the distribution relationship between the state and the enterprise being fixed in a legal way so that the enterprise will have much greater independent authority in arranging production management activity. At present, because the price system is irrational, the profit levels of enterprises differ considerably and profit and taxes must both be present together. After an enterprise has paid its taxes, it can implement varied flexible modes of management under differing conditions. Large and medium-sized enterprises, under the prerequisite that have completely fulfilled their state plans and have paid the income taxes according to law, can implement varied methods for contracting to hand over profits to higher authorities. Those with great latent capacity can implement progressively increasing payment or proportional payment. Those with little latent capacity can implement a quota payment or a base payment. Conditionally, all of the profit can be converted to tax. Small state-operated industrial enterprises, retail commercial businesses, eating, service and repair businesses and handicraft industries can put into practice a system of the "state levying tax, paying fees with funds and assuming responsibility for profits and losses." They can also put into practice contract management and rent management with their staff and workers, the collective and individuals. Under the prerequisite that they pay their taxes and fulfill their contract quotas according to regulation, they can have greater independent authority in such areas as planning and allocation, selling products, using funds and appointing and dismissing cadres. This will be in accord with the principles of administrative restraints for the large and relaxation for the small. This will be beneficial for stable increase in state financial income and will be beneficial in mobilizing enterprises and their staffs and workers to strive to tap latent potential, in increasing enthusiasm for economic results and in assuring the healthy development of contract responsibility system.

Most of the contract methods now in practice do not take levying of the income tax into consideration but are concerned with contracting for the entire profit that an enterprise realizes. In this type of method, there is a very great margin for bargaining between enterprises and the state. Generally speaking, when enterprises have a great deal of latent power, the state does not have a foundation, and, when there are only a few enterprises, contract quotas are apt to be on the low side. Doing it this way, the first thing is that there can be an effect on the financial income of the state. In a number of sectors, regions and enterprises in which guarantees of payment to higher authorities of gradually increasing amounts of profits has been instituted or in which requests of implementation have been made, with the exceptions, first, of steel, and, second, of automobiles, which are both lower than "65," the state financial income plan calls for an average rate of increase over the next three years of 5.5 percent. The state cannot gain very much from sectors, regions and enterprises enjoying increasing profits. However, it will also have to assume responsibility for failures resulting from decreases in profits or losses due to various causes. This will inevitably affect the equilibrium of financial revenues and expenditures of the state. Second, it could increase and enlarge the contradictions among enterprises. If some enterprises engage in contracting for their entire profit and other enterprises engage in contracting for profits after taxation, very great differences will arise in the level of retained profits among enterprises because the methods they practice are different. This will make it difficult for state-run enterprises to put into practice the work of substituting taxes for profits and will provide new obstacles to various reforms of relating to achievements in enterprise management, such as, for example, reform of the wage system. Moreover, some collective enterprises, on finding that state-run enterprises contract without paying taxes and derive large profits, state that contracting for tax revenue is actually changing taxes into profits. This is a reaction to the new contradictions arising from the imbalance of interests among enterprises. Third, it will create a new decentralization in the use of funds. Because contract quotas are on the low side, enterprises will acquire excess profits, there will be an excessively rapid increase in extra-budgetary funds and it will be easy to lose control of expenditure reserve funds and investment in fixed assets. At present, there are a number of enterprises enjoying high profits that have large cash surpluses on their bonus funds and that have adopted the practice of giving material objects to their staffs and workers in addition to bonuses. If this is not curbed and continues to develop, it will create bad consequences. Fourth, it will not be beneficial to enterprises concentrating their efforts on tapping their latent power. Enterprises can easily obtain excessive advantages in the course of contracting. Thus, not only will they be unable to achieve the objective of stimulating the enterprise to improve management and administration but also will unavoidably lead to mutual contention and precipitate action. For the foregoing reasons, it will be very difficult to continue with this method of contracting for profit after a certain time.

Implementation of the contract responsibility system by agriculture and industry has been consistent in a number of fundamental principles such as smashing [the concept of] the "same big pot," implementing distribution according to work and stimulating the initiative of the laborers. The basic

experiences of agriculture in implementing the contract responsibility system should be extended to industry and other spheres. However, when industry implements the contract responsibility system, it will have different characteristics than in agriculture. In terms of distribution relationships, what the peasants have after they have paid their agriculture tax is their own. In 1981, the net income distribution ratios for the state, the collectives and the peasants were, respectively, 4.1 percent, 9.7 percent and 86.2 percent, with the state getting the odd change, the collectives getting a small amount and the peasants getting the largest amount. But it is different from this with industry, with more than 80 percent of our nation's financial income coming from industrial enterprises.

In order to assure equilibrium with annually increasing financial expenditures, from an overall standpoint, we must hold to the principle of the state getting the larger part, enterprises getting the smaller part and staff and workers getting the odd amount of the newly increased profits of industrial enterprises. Implementing contracting for paying of profits to higher authorities after levying of the income tax is a good method for solving this problem. Of the profit that has been realized by an enterprise, 55 percent of the profit is handed over to the higher authorities as the first deduction in the form of tax revenue. In this way, we can truly be sure that it will be retained for the state. Once the state has been assured this larger share, the remaining profit can be rationally distributed between the state and the enterprise on the basis of differing conditions and the taking of different modes. If we say that we wish to handle the "cage and bird" relationship in distribution of profits between the state and enterprises correctly, then first levying an income tax at a fixed rate is a "cage."

In view of the data from a survey of Shanghai, Tianjin and Jinan, it appears that this method is feasible. Most industrial enterprises can maintain their current level of retained profit and also have a comparatively high surplus profit after a fixed rate income tax has been collected and after they have paid over the two fees. In Shanghai and Tianjin, surplus profit accounted for 30 percent of realized profit, while in Jinan it accounted for about 20 percent. In Shanghai, 8 percent of the enterprises, and in Tianjin, 5 percent, could not maintain their retained profit level. In Jinan, there were only 18 small enterprises for which this was the case. Wholesale and large and medium-sized retail commercial enterprises are generally able to maintain their retained profit levels. Therefore, the method of levying taxes first and then implementing contracting for profit can be applied to large and medium-sized industrial and commercial enterprises having profits. Reduction of taxes at regular intervals depending on differing conditions can be applied to some industrial and commercial enterprises that cannot maintain their retained profit level.

There are some comrades who believe that this method does not have many advantages for enterprises and that it cannot arouse the initiative of the staffs and workers of enterprises. This is something concerning which we must make a comprehensive analysis. With the prerequisite that state profits and profits acquired by enterprises can obtain advantages through effort. This will be beneficial in stimulating the initiative of the staffs and workers of enterprises.

To this end, the following is proposed. (1) Except for already approved implementation of progressively increasing payment of profits to higher authorities within a specified period for a small number of large enterprises, other large and medium-sized state-run enterprises should without exception be subjected to levying of income taxes and should implement contracting for profit after taxes. (2) In order to make the method simple and easy to carry out, we can first adopt a new ratio after taxes on the basis of a conversion of originally appraised and determined proportion of retained profit. Following that, such differing circumstances as the magnitude of the assignment can be transformed and different methods on contracting for handing over of profits to higher authorities can be implemented on the basis of the amount of surplus profit of an enterprise. (3) Various types of contracting can be implemented so that the enterprise and its staff and workers can obtain definite benefits from tapping their latent power, decreasing consumption and improving management and administration and so that there will be gradual increases in these benefits. At the same time, we must draw up strict methods for supervising management and we must exact sanctions against improper practices in contracting that can result in damaging the interests of the state and the consumers such as selling in short quantities, covert price inflation and adulteration of goods. (4) Contracting should be put into practice for group after group at different times on the basis of the differing circumstances of various businesses and enterprises and as the result of experimentation. We must avoid mass movements and precipitate action by all means. Systems must be reformed and reform must be carried out through pilot projects. Because we engage in pilot projects, the rate of progress of reform is slowed. However, if we speed up the rate of progress of reform by not engaging in pilot projects, our reforms may not be carried out well and we may have to turn back and carry out the reforms again. When these two types of losses are compared, the former is less severe than the latter.

If we act in these ways, current enterprise contracted will be carried out in a resolute and orderly way. In the future, we will be able to change from transfer of profits to higher authorities by enterprises to payment of taxes to higher authorities and we will be able to create the conditions for fixing the distribution relationship between the state and enterprises in a completely legal form.

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CSO: 4006/372

FINANCE AND BANKING

BETTER MANAGEMENT OF CAPITAL CONSTRUCTION FUNDS URGED

Beijing JINGJI RIBAO in Chinese 24 Jan 83 p 2

[Editorial: "Manage and Utilize Capital Construction Funds Well"]

[Text] The development of production and improvement of economic results are fundamental ways to resolve problems concerning capital construction funds. Furthermore, it is necessary to resolve the problems of using funds well so that we can maximize economic results with our limited funds. The relationship between the use of funds and the generation of funds is close and interdependent. The generation of funds is a determining factor in the use of funds, but whether or not the use of funds is appropriate and effective can have a counteracting influence on the amounts of funds generated. Therefore we must pay close attention to the economic results attained through the use of funds, and we must manage and use capital construction funds well.

At present there are some units that pay close attention to managing and using funds well, that stress improved returns on the uses of funds, and that work hard to save money, do more, and do a good job. However, there are some comrades who always pay close attention to asking for money but are careless about the use of money. When they ask for money, their "appetites" are very large--the more the better; but when they use money they don't reckon carefully, or they even squander it and freeloader off the state by "eating out of the big pot." Unless this situation is corrected, any increases in investment will only lead to increased waste and losses. This hinders the realization of the four modernizations; we must give it serious attention.

How do we begin to manage and use our present funds well? At present we must stress the following points:

We must manage and use our investments well in fixed assets. At present, the overall scale of investments in fixed assets in our country has surpassed all preceding historical levels. Allocations from the state budget account for only a small part of the total; most is derived from bank loans and self-financing by the various prefectures, departments, and units. Funding channels are numerous, controls are loose, and responsibilities are unclear; therefore, returns on investments are poor and there are many problems such as redundant construction and the crowding out of the large by the small. From now on we must work hard to change this kind of situation.

We must use planning to strengthen controls and rationalize investments, so that the greater part of all kinds of funds are used to do a good job on urgent projects concerning energy construction, transportation construction, etc. Funds for the renewal and transformation of enterprises should be earmarked for uses specified by the state and really used for the renewal of equipment and technological transformation--especially important at the present time is transformation toward energy-saving technologies. We must make full use of the potential and role of the Construction Bank, and strengthen its control and supervision of investments in fixed assets. At the same time, we must continue to promote the system of compensation payments for the use of state funds, in order to encourage enterprises to economize when investing and to improve the utilization ratio for fixed assets.

We must manage well and make good use of circulating funds. At present the turnover of circulating funds is slow, circulation is clogged up, and many funds are idle and tied up. We must be earnest about solving these problems. We must strengthen controls over circulating funds, use the method of requiring payments for the use of funds, make full use of the role of loans and interest as levers, and encourage enterprises to organize production rationally, unclog circulation channels, and accelerate the turnover of funds, goods, and materials. We must take an inventory of warehouses and stores. In accordance with state regulations, effective measures must be taken concerning the large quantities of steel and electromechanical products that are presently backed up in inventories: if they can be allocated and transferred, then that should be done; if they can be rebuilt, they should be rebuilt and used; and if they cannot be used, they should be scrapped and melted down. They must not be allowed to lie idle for a long time, tying up funds. From now on, all enterprises must do a good job of linking production, supply, and marketing, and of strengthening controls over circulating funds. We must not incur further waste and losses by selling commodities at reduced prices while continuing to blindly purchase or produce unmarketable commodities.

We must do a good job of controlling and utilizing funds that are outside the budgets. While protecting the legal interests of each prefecture, department, and unit, we should set up comprehensive financial revenue and expenditure plans to make unified arrangements and divert funds that are outside the budgets to the technical transformation of enterprises and key construction projects that the state considers urgent. We must bring the use of such funds into harmony with the requirements of the state macroeconomy, and maximize economic results.

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MINERAL RESOURCES

BRIEFS

GOLD MINES DISCOVERED--Following the verification of a large-sized gold mine in southern Yunnan in early 1981, and having gone through arduous work of general survey for 2 years, a certain unit of the People's Liberation Army which is taking on the task of general geological survey and prospecting of gold in Yunnan has again discovered a medium-sized and higher-grade placer gold deposit and a medium-sized rocky gold deposit in remote mountains in the southern part of Yunnan province. At present, efforts are concentrated on conducting appraisal prospecting. /Text/ /Kunming YUNNAN RIBAO in Chinese 1 Mar 83 p 1/ 12272

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INDUSTRY

IMPORTANCE OF DEVELOPING CONSUMER GOODS INDUSTRY DISCUSSED

Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 11, 25 Nov 82 pp 22-28

[Article by Xiao Zhuoji [5135 3504 1015]: "The Importance of Developing the Consumer Goods Industry and Ways to Do It"]

[Text] The consumer goods industry is an industry which directly meets the people's needs for food, clothing and use articles. It includes most of light industry and handicrafts and some heavy industry. Since Liberation, China's consumer goods industry has developed considerably, there has been a great increase in variety and quantities, and quality has been greatly improved; it has made an important contribution to meeting the people's living needs and accumulating construction funds. But compared with the requirements of the people's standard of living and with the development of the producer goods industry, our consumer goods industry is still somewhat behindhand. It is now extremely important to accord it a high priority.

I. Developing the consumer goods industry is of great importance in putting our national economy on a new path of good economic results from which the people can obtain more material benefits.

First, developing the consumer goods industry will make it possible to satisfy the people's living needs better.

The objective of socialist production is to continually satisfy the growing material and cultural needs of all members of society. In order to achieve this objective, it is necessary to develop the consumer goods industry. In the last several years, employees in the cities have had their wages re-adjusted have received increased bonuses and a variety of allowances; rural commune members have all gained increased monetary income as a result of increased output of agricultural and sideline products and higher state procurement prices. Urban and rural buying power has increased considerably; from 1977 to 1980 the cumulative increase nationwide was 58 percent, with increases of 49 percent in the cities and 66 percent in the countryside.

Development of Urban and Rural Buying Power, 1977-1980
(percent increase from previous year)

	<u>1978</u>	<u>1979</u>	<u>1980</u>
National	10.4	20.5	18.7
Cities	7.8	13.6	21.6
Countryside	12.8	26.5	16.4

The increase in urban and rural buying power has resulted in increasing demand for all types of consumer goods, particularly manufactured consumer goods, because as the people's standard of living has risen, the consumption structure has also changed. The proportion of income spent on food has decreased, while the proportion spent on clothing and use articles has increased. In terms of retail prices for consumer goods, between 1952 and 1978 the proportion of income spent on food dropped from 56.5 percent to 50.9 percent, the proportion spent on clothing increased from 19.3 percent to 22.6 percent, and the proportion spent on use articles increased from 20.9 percent to 22.2 percent; the proportion spent on four major items (sewing machines, bicycles, radios and wristwatches) rose from 0.5 percent to 3.4 percent. Manufactured consumer goods are primarily clothing and use articles; therefore, only by energetically developing the consumer goods industry will it be possible to meet the people's continually rising needs.

Second, developing the consumer goods industry will make it possible to improve our industrial structure.

For many years an overemphasis on developing heavy industry meant that light industry received relatively little investment and inadequate supplies of energy and raw materials, and its growth rate lagged far behind that of heavy industry. Between 1949 and 1978, heavy industry grew by 9.6 times, an average annual growth rate of 16.9 percent, while light industry grew by 19.8 times, an average annual growth rate of only 11 percent. Light industry's share of total industrial output value fell from 73.6 percent to 42.7 percent, while heavy industry's share rose from 26.4 percent to 57.3 percent. The overemphasis on heavy industry and the backwardness of light industry are major reasons that the improvement in the people's conditions of life was slow for a long period, that there was shortages in energy and communications, that economic benefits were falling, and that the national economy could not develop in a coordinated manner.

We know that the two major categories of social production, namely producer goods and consumer goods, are closely interrelated. Ultimately, producer goods serve consumer goods. The development of the producer goods sector must shift its focus towards the development of consumer goods. If the output of producer goods, which in turn will hinder the overall development of the national economy. Energetically developing the consumer goods industry, increasing its relative size of and rationalizing its internal structures are the things which are needed in order to achieve an overall balance in the national economy. In the last few years China has accorded

priority to the development of the consumer goods industry; the rate of growth of light industry has exceeded that of heavy industry for four years running, while the structure of the production sector has gradually improved, as shown below.

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Growth rate of light industry, %	10.8	9.6	17.4	14.1
Growth rate of heavy industry, %	15.6	7.7	1.6	- 4.7
Relative share of light industry, %	42.7	43.1	46.9	51.4
Relative share of heavy industry, %				

It is not true, of course, that the higher the growth rate of consumer goods the better and the lower the growth rate of producer goods the better. The fact that light industry has developed more rapidly than heavy industry in the last few years has historical causes. When economic development reaches a certain stage, the growth rate of heavy industry can still be greater than that of light industry. In fact, starting in the first quarter of 1982, following several years of readjustment, the growth rate of heavy industry has begun to rise again. This is in accord with the law of balanced development of the two major sectors.

Third, developing the consumer goods industry can expand sources of export commodities.

Consumer goods are important commodities with which China obtains foreign exchange from export. As our light industry and textile sectors have expanded, their relative share of total export commodities has gradually increased. In 1953 they accounted for 12.13 percent of a total of US \$ 126 million in export commodities, while in 1979 they accounted for 35.5 percent of a total of US \$ 4.848 billion. In the past 32 years these two sectors have earned large amounts of foreign exchange. Many Chinese light industry and textile products, such as handicraft and art items, silk floss textiles, leather and furs and products produced from them, ceramics and the like, with high artistic value and excellent quality, have been welcome on international markets. Textile exports have gone out to more than 150 countries and territories on the 5 main continents. Every year we export more than 2 billion meters of cotton cloth, about 15 percent of the total world trade; we have become the world's largest export of cotton textiles. We export 7,000 to 8,000 tons of raw silk a year, about 80 percent of the total world silk trade, and we basically control the international raw silk market. Other light industry and textile products are also sold in many countries and territories.

Fourth, developing the consumer goods industry can increase employment.

Organic funds are a relatively small component of the consumer goods industry. The number of employees that can be absorbed per unit amount of fixed capital is higher in the consumer goods industry than the producer goods industry. For example, the handicrafts, daily-use hardware, leather and clothing industries can accommodate an average fixed labor force of 800 persons per million yuan of fixed capital, which is 8 times greater than the corresponding number in heavy industry. If we add processing personnel outside the plants, the number of personnel that can be absorbed is several times or even several dozen times greater. China has rich manpower resources, and there are still large numbers of unemployed persons. Energetically expanding consumer goods industry is an important way of increasing employment and solving the unemployment problem.

Fifth, developing the consumer goods industry can increase national income

Light industry and textiles, which primarily produce consumer goods, require relatively low investment, give a rapid return, and produce rather high levels of economic benefits. In contrast to the heavy industrial departments, these industrial departments not only take on manpower and means of production continuously or several times a year, but also provide both consumer goods and producer goods. The investment recovery period for heavy industry in this country generally is 5 years or more, while for light industry it is only 22 months. The tax rate on investments in light industry and textiles is also rather high. Between 1949 and 1979, the light industry system alone provided a total of more than 26 billion yuan in taxes to the state, about 15.4 percent of total state revenues and 44 percent of total capital construction investments in the state budget for the period. Accordingly, increasing investment in the consumer goods industry and developing expanding consumer goods production not only makes it possible to meet society's needs, but can also provide large amounts of revenue to the state. At present, when state finances are hard pressed, energetically developing light industry is extremely important for increasing revenues, taking money out of circulation and stabilizing markets.

II. Energetically developing the consumer goods industry and increasing the output of various categories of manufactured consumer goods in accordance with market needs is an important current task of economic readjustment.

Since Liberation, China's consumer goods industry has made great progress, with light industry and textiles growing at an average annual rate of 11 percent; many light industrial products have grown at a very high rate. In 1978, per capita output of cotton cloth was up 41.4 percent from 1952, sugar output was up 266.6 percent, bicycle output was up 1,367.2 percent, and output of radios was up 48,533.3 percent.

Since the Third Plenary Session of the 11th Central Committee, the consumer goods industry has developed even more rapidly. The rate of growth of the light industry and textile sectors, which primarily produce consumer goods, has exceeded that of heavy industry. Many manufactured consumer goods,

particularly durables, have grown very rapidly. For example, output of bicycles increased by 34.7 percent from 1980 to 1981, while sewing machine output grew by 35.3 percent, wristwatch output by 29.6 percent, and television set output by 1.2 times.

But we must be aware that owing to the extreme backwardness of old China's light industry base and the fact that the crude population growth rate after liberation was high, current per capita ownership of manufactured consumer goods is still rather low, and some such goods can be supplied only with certificates; while the supply of some products is sufficient to meet the demand and they are always out of stock. In the future, as urban and rural money income increases and the standard of living rises, demand for manufactured consumer goods will be increasing steadily. Only by vigorously organizing their production will it be possible to gradually resolve supply-demand conflicts and meet market requirements.

There is a wide variety of manufactured consumer goods, and all areas, including the food industry, textiles and clothing, daily-use hardware and the like, must be expanded rapidly. We should focus on the following types of products.

A. Durable consumer goods

As the people's standard of living rises, the demand for durable consumer goods increases steadily. Expanding the output of these goods is now a pressing necessity. We know that when the people's income is rather low, food takes up the bulk of it and there is unlikely to be any extra to buy durable consumer goods; but when the people's income level rises and the problem of obtaining food is essentially solved, the demand for durable consumer goods will inevitably rise.

Abroad, the development of consumer electrical appliances adapts to economic growth. In 1956 the output of electric refrigerators in Japan was 81,000 and the ownership level was 0.2 percent, while that for television sets was only 1 percent. In 1979, the level of ownership of color television sets was 97.8 percent, that for electric refrigerators 99.1 percent, and that for washing machines 99 percent. The ownership rates for domestic appliances is also high in other economically developed countries. The 1978 ownership rates in West Germany were: television sets, 93 percent; electric refrigerators, 96 percent; vacuum cleaners, 94 percent; washing machines, 88.6 percent. In the United States the levels were: electric refrigerators, 99.7 percent; electric ranges, 70.6 percent; electric irons, 99.9 percent; and washing machines, 75.2 percent.

The scale of consumer appliance production is still rather small. There are 433 consumer appliance plants in the light industry system, with 88,000 employees, only 1 percent of whom are technical personnel, and ownership rates are low. In the first quarter of 1980, for every 100 employee households in 46 large and medium-size cities, the average ownership levels for appliances were as follows: 15.66 television sets, 2.2 tape recorders, 10.73 electric fans, 3.71 record players, and 2.10 cameras. The rural ownership levels were much lower.

Vigorously expanding the consumer appliance and other durable consumer goods industries will make it possible to meet market needs and take large amounts of currency out of circulation. In recent years the increase in urban money income has caused gaps in commodity supply abilities, and every year there is an excess buying power of more than 10 billion yuan. Expanding the output of consumer appliances and other durables is an important means of taking currency out of circulation and assuring market stability. Developing the durable consumer goods industry can also make it possible to expand export, improve our export commodity structure and increase foreign exchange earnings. Currently China exports very few consumer appliances; in 1975 their value was US \$7 million, and in 1980, US \$ 28.48 million (not including parts and components), giving us a very small share of international markets. Provided that we improve quality and expand the selection, there is great potential for increasing our exports.

Naturally, expansion of durable consumer goods production should proceed in terms of China's specific conditions. The development of domestic appliances should be connected with the development of such sectors as electric power, housing and urban construction and the like. Our economic backwardness cannot be corrected overnight, and accordingly the consumer appliance ownership levels will increase only gradually.

B. Civilian building materials. Civilian building materials are another manufactured consumer product which are urgently needed by the urban and rural people. In the last few years the rate of urban housing construction has increased. State investments in it have grown rapidly, from 2.506 billion yuan in 1977 to 3.754 billion yuan in 1978, 7.379 billion yuan in 1979, and 10.418 billion yuan in 1980. As agricultural production developed and peasant income increased, the scale of rural dwelling construction became considerable. In 1978 and 1979, 400 million square meters of rural dwellings were built nationwide; in 1979 the figure was 500 million square meters, and in 1981 it reached 600 million square meters. A total of 1.5 billion square meters was built in these 4 years, equivalent to an increase in 2 square meters of dwelling space per peasant. In the next few years the number of dwellings built in the countryside will remain large. Surveys indicate that 20 percent of peasant households are asking to build a house, and in economically prosperous coastal regions they are asking to build simple, low multistory houses. As a result, the peasants have an extremely pressing need for such commodities as lumber, metal products, cement, glass, brick, tile, paint and building hardware.

China's building materials industry has been developing rapidly in recent years. In 1980 the output of cement was up 71.7 percent from 1976, while plate glass production was up 89.9 percent. In 1981 the figures increased by 5.2 percent and 10.6 percent respectively from the 1980 levels. But building materials for use by the public are still in short supply. In particular, there is no normal circulation channel for the building materials urgently needed by the peasants (other than paint and building hardware), and goods for building houses are absent from rural markets. In order to adapt to future housing construction needs, it is extremely important to energetically develop the civilian building materials industry.

C. Small daily-use articles. Production of small daily-use articles affects the daily life of thousands upon thousands of persons, and we must vigorously expand it in accordance with market needs. There is an extensive variety of such small daily-use articles; they are low-price, low-profit items which are generally not accorded much importance. This should not be the case. We are a socialist country, and the objective of production is to meet the people's needs. Since small daily-use items are essential to the people's lives, we must vigorously arrange for their production. Even though some products produce little or no profit, we must actively produce them while striving to decrease production costs so as to achieve a low-profit, high-volume situation.

III. Like other industrial departments, the consumer goods industry must give top priority to improving economic benefits. It must not only vigorously increase the output of consumer goods, but also improve their quality, decrease production costs and achieve better economic benefits. Several problems must be solved in this connection.

A. Step up surveys, carry on effective market forecasting, and decrease blind production activity.

In recent years, all localities and departments have been rather energetically expanding consumer goods production, and the consumer goods industry has developed rather rapidly, with considerable achievements. But there is still a lack of survey data, and ill-considered expansion of production occurs. For example, there has been a headlong rush into the production of some household appliances. The light industry system originally designated 28 plants to produce electric fans, but now it is estimated that 3,400 plants are producing them nationwide; originally, 11 plants were designated to produce washing machines, while now more than 130 are producing them. In some light industry and textile areas the planned supply of raw materials to the enterprises is insufficient and there are excess production capacities; many outside-of-plan enterprises are blindly being developed, wasting large amounts of labor, material and financial resources and producing great losses for society.

In order to avoid blind production, arrange a balance between production and sales, and satisfy market needs, the relevant departments must strengthen their surveying activity and conduct effective market forecasting. The supply and demand situation on the consumer products market is highly variable. Social buying power at different times, the consumption structure of different strata, output and demand for the various consumer products, all vary continuously. A product which sells rapidly at one time may sell slowly and become overstocked at another. Production capacities for some products are limited, while market demand is going up, so that supply cannot keep pace with demand; but there are excessive production capacities for some products and market demand is decreasing, so that supply exceeds demand. Some products are currently in short supply but the social ownership level is already rather high, and market demand will soon become saturated; some products are currently not selling well, but have prospects for expansion because social demand is just beginning to develop. These circumstances require that the

relevant departments carry out thorough surveys, understand the development of the national economy and the money income and purchasing power of urban and rural dwellers, be aware of the different demands of different strata, know the materials supply and production situations of the consumer goods industry, carry out scientific analysis, research and forecasting based on a variety of detailed economic information, arrange current production rationally, organize suitable future development of production, and maintain a basic balance between production and sales. Only in this way is it possible to make the development of the consumer goods industry keep pace with the development of social buying power, satisfy the people's living needs more effectively, and increase the economic benefits produced by the production departments.

B. Improve product quality and effectively modernize and upgrade products. Product quality directly affects the consumer's interests and product saleability. Every enterprise must resolutely put an end to instances of shirking of responsibility, slipshod manufacture, and passing off inferior products as good-quality products; they must vigorously increase the output of famous brands, traditional products and superior quality products, assure product quality through their organization of plans, materials and processes, tighten quality management and the quality control system, and provide good maintenance after sale. This will improve product quality and increase service life, and the degree of utilization of the embodied labor consumed in the production process will be increased.

There is a profusion of consumer goods, and market competition is intense. As the standard of living rises, people's demands for consumer goods also rise, and the product cycle becomes shorter and shorter. Products with little variety of patterns of colors which have been made in the same way for decades may have sold well originally, but now they will be increasingly unsuited to market requirements. Only by actively developing varieties, continuously eliminating the old to make way for the new, and carrying on effective product upgrading and modernization will it be possible to meet people's rising requirements. Every enterprise must have a reserve of varieties: in other words, a series of fast-selling products in production, a series of new products in trial production, and a series of new products in the research and planning states. Only in this way is it possible to bring out generation after generation of new products, expand avenues for their sale and meet market requirements.

C. Strengthen enterprise management, improve management quality, and decrease production costs. The quality of enterprise management directly affects economic benefits produced. Because some localities, industries and enterprises have leadership groups with good management abilities, their rules and regulations are effective and reasonable and their workers' enthusiasm is fully utilized, their production costs are low and good economic benefits are produced; other localities, industries and enterprises are in the opposite situation. For example, in 1980 the labor productivity of all light industry employees averaged 10,076 yuan per worker nationwide, while Shanghai had the highest figure, 29,698 yuan, nearly 3 times as great as the national level. The national average profit per hundred yuan of output value was 10.62 yuan,

while Shanghai had the best figure, 22.06 yuan, more than twice the national average. Many provinces and autonomous regions have failed to reach the national average. Statistics indicate that if these areas rose to the national average, the total output value of the light industry sector in 1980 could have been increased from 96.1 billion yuan to 121.9 billion yuan, an increase of 25.8 billion yuan, and profits would have been 1.785 billion yuan.

D. Carry out specialization and cooperation, organize production in specific lots, and improve labor productivity. Specialization and cooperation are objective requirements of large-scale socialized labor and are important ways of improving product quality, increasing labor productivity and decreasing product costs. Marx stated: "By the breakdown of the handicraft movement, specialization of the implements of labor, development of workers who carried out only a part of production, and the grouping and combination of such workers into an overall organization, division of labor in the handicraft labor factory produced qualitative divisions and quantitative proportionalities in the social production process, thus creating a specific organization of social labor which at the same time developed new social productive forces." ("Das Kapital," Vol 1, p 403) In the modern enterprise, division of labor and cooperation can similarly specialize the implements of labor and labor functions, bring laborers into close cooperation in the production process, and thus improve labor productivity. There are many examples of this phenomenon. In producing the Hongqi brand bicycle, the Tianjin No 2 bicycle plant devoted attention to specialization in production, and over a period of 20 years its annual output increased to 1.2 million bicycles. From 1964 to 1980 its output increased by 12.42 times, an average annual increase of 17 percent.

E. Actively carry out technical modernization and raise the scientific and technical level. The equipment in our light industry and textile sectors is obsolescent, and the problem of obsolete technology is extremely serious. Currently we have about 2,500 types of special equipment in the light industry field, most dating from the 1940's or 1950's. Some 600 types should be abandoned immediately, and 900 types urgently require improvements, so that only 1,000 types are more or less usable. Therefore we urgently need to carry out technical modernization in order to improve output and quality, decrease energy consumption and provide the material conditions for product improvement and modernization.

The scientific research and technical contingent in the light industrial departments is quite weak, which is an important factor influencing product quality and economic benefits produced. We must vigorously carry on technical training of employees, strengthen scientific research and technical manpower, and increase the cultural and scientific-technical level of employees. Only in this way can we continuously improve quality and increase economic benefits produced.

IV. In order to energetically develop consumer products, we must give high priority to the consumer products industry, implement a correct policy and mobilize all positive factors.

A. We should suitably increase the proportion of investment in the consumer goods industry and conscientiously implement the principles of the "six

priorities." For a long time light industry had had a relatively small share of state investments, which had hindered its development.

Share of light and heavy industry in total investments (%)

	<u>1st 5YP*</u>	<u>2nd 5YP</u>	<u>1963-1965</u>	<u>3d 5YP</u>	<u>4th 5YP</u>	<u>1976-1979</u>
Light industry	5.9	5.2	3.9	4.0	5.4	6.6
Heavy industry	46.5	56.1	49.8	57.4	54.8	54.7

*5YP = 5-year plan

This table shows that China's investment in light industry accounted for only 4 to 6 percent of total investments. It is because of this low investment that many enterprises now have obsolescent equipment, their processes are out-of-date, and they cannot meet market requirements in terms of either quantity or quality. In order to vigorously develop the consumer goods industry, we must increase investments suitably, speed up its rate of development and promote rationalization of its economic structure.

Following the Third Plenary Session of the 11th Central Committee, the state implemented the "six priorities" for light industry. The key requirement at present is to further implement all of these principles and take all effective measures to promote the development of the consumer products industry.

B. Focus on existing enterprises, utilize potential effectively, modernize and renovate. The light industry system includes more than 69,000 enterprises and more than 11 million employees, which provides excellent conditions for further developing the consumer products industry. In the current economic readjustment, in order to increase the output of certain consumer products (such as television sets, tape recorders and the like) the state needs to invest in the construction of new enterprises and expand production capacities, but it is even more important to thoroughly rely on and utilize existing enterprises, utilize their potential and increase the economic benefits they yield. This is because renovation and modernization of existing enterprises requires a smaller investment, produces a rapid return, and yields great benefits. Estimates from the relevant departments indicate that if the departments develop similar production capabilities through renovation and modernization of existing enterprises, this will make it possible to save two-thirds on investments compared with the construction of new enterprises, as well as saving 60 percent on equipment and materials, and decreasing the construction cycle by half. Therefore, in order to vigorously develop consumer products output, we must focus on existing enterprises and on their modernization and renovation, rather than abandoning them and building new facilities.

C. Strive to develop collective light industrial enterprises and mobilize the enthusiasm of their employees. The number of enterprises under the

collective ownership system among light industry enterprises is very large. Currently there are more than 58,000 collective-ownership enterprises in the light industry system, with a total of 6.85 million employees. The second light industry system, which consists primarily of collective-ownership enterprises, had a total output value of 49.3 billion yuan in 1980, equivalent to 9.87 percent of national industrial output value and 51.33 percent of the total output value of the light industry system; its export products earned US \$3.166 billion in foreign exchange, which was 17.5 percent of total national export foreign exchange and 71.6 percent of total export foreign exchange in the light industry system. They provided 6.07 million yuan in taxes and accumulation for the state. Obviously the collective-ownership enterprises in the light industry system have an important place in the national economy and are playing an important role.

The state should promote and support the collective-ownership enterprises and include their production plans in local plans as an important component of local industry. The relevant departments should provide support in terms of raw materials, labor, equipment and technical personnel and help them to improve their technical level and management quality.

The collective enterprises must make thorough use of their advantages, act in accordance with their excellent traditions of hard work to get established and industrious and thrifty operations, restore the practice of local procurement of materials and local production and local sale, vigorously develop production of consumer goods, satisfy society's requirements, and increase enterprise earnings.

D. Intensify comprehensive plans and thoroughly utilize the role of central cities in expanding industrial products. Such cities as Shanghai, Beijing, Tianjin, Guangzhou, Wuhan, Shenyang, Qingdao, Congqing and Xi'an, which developed in our country's past, have a vigorous light industry base, a well developed scientific and technical base, good-quality management and good economic benefits; thus they constitute China's principal light industry base. Statistics indicate that in 1980, 33 central city light industrial enterprises in Shanghai had a total output value of 42.45 billion yuan, or 44.2 percent of the total output value of the light industry system. If the central city consumer goods industry is developed, this will promote the development of others areas and will greatly increase the economic benefits produced. In order to make thorough use of the central cities, we must strengthen comprehensive planning, make use of advantages, and energetically expand the production of traditional products, name-brand products, and superior-quality products. We must break through the fetters of outmoded ideas, organize inter-area and inter-industry economic cooperation, and develop specialization and cooperation between central cities and other cities; we must conscientiously summarize their experience in creating economic benefits and disseminate their technical and economic achievements. We must strengthen technical interchange and technology transfer and make full use of the central city's leading role in technical progress.

E. Strengthen heavy industry's assistance to the consumer products industry and make full use of heavy industry. China has already established a

well-rounded heavy industry system, which constitutes an extremely favorable material and technical condition for developing the consumer products industry. Currently, heavy industry must help the consumer products industry to develop with equipment, materials and technologies.

The technical modernization of the consumer products industry requires large amounts of machinery and equipment. Heavy industry must further expand the range of customers it serves, actively provide light industry with advanced usable products, and gradually establish our consumer products industry on an advanced technical basis.

Providing fuels and motive power to the consumer products industry is an important aspect of heavy industry's service to light industry. For many years light industry has not been supplied with sufficient coal, oil and electricity to meet its needs. Heavy industry takes up 80 to 90 percent of industrial-use electricity, while light industry and textiles take up only about 10 percent; they frequently have to stop work or stop production because of the necessity of constantly giving way to heavy industry. In order to energetically develop the production of consumer products, we must provide more energy to the light industry and textile sectors and assure that their production needs are met.

The consumer products industry obtains its starting materials from agricultural products and manufactured products; and as the economy has developed, the proportion constituted by manufactured products has gradually been rising. The proportion of total light industry output value based on manufactured goods as starting materials was 12.5 percent in 1952, 18.4 percent in 1957, 28.3 percent in 1965, 30 percent in 1970, 29.9 percent in 1975, and 30.7 percent in 1979. In general, most of light industry's starting materials are agricultural products; we must change this materials structure. The heavy industrial departments, particularly those of the petroleum and chemical industries, must provide more materials to the consumer products industry.

China's heavy industry has a rather strong technical contingent. In order to develop the consumer products industry, the heavy industrial departments must adopt various methods of helping the light industry and textile sectors train technical personnel and improve their technical level.

Currently many heavy industrial enterprises have insufficient work and their production equipment is idle. All plants which are able to do so should completely or partially convert to the production of urgently needed consumer products; this will both meet market needs and increase enterprise and national income.

To summarize, only by resolutely implementing the policy of socialist construction and thoroughly enlisting the enthusiasm of all parties will our country's consumer products industry be able to develop more rapidly.

DOMESTIC TRADE

ROLE OF STATE-RUN COMMERCIAL ENTERPRISES DISCUSSED

Shanghai JIEFANG RIBAO in Chinese 23 Feb 83 p 4

/Article by Guo Dongluo /6753 0392 2867/: "How to Treat the Leading Role of State-Run Commercial Enterprises"

/Text/ At present, the market in our country is brisk, booming and stable, and is almost without precedent since the founding of the PRC. Nevertheless, there also appears to be some new situations and new problems. These situations and problems are conspicuous in that some commodities are difficult to buy even for people who have money while others, which are not needed by the masses, are being kept longer and increasing in stock.

Reasons bringing about this situation are varied and one of the important reasons is that circulatory channels are not fluent. In order for this to change, it is necessary to reform commercial work, to adjust the policy of purchase and selling and to establish an opened commercial system with few levels of management. And in this system, the state-run economy plays a leading role; different economic entities, different operative forms and different circulatory channels co-exist.

Some comrades worry: will doing so weaken the leading role of state-run commercial enterprises? Here, we must first clarify what the leading role of state-run commerce is. Some comrades are wrong because they think that the leading role of state-run commercial enterprises means it takes on everything. Under the circumstances of the co-existence of different economic entities, the leading role of state-run commerce is mainly shown in the following aspects: (1) Handling important materials related to the national economy and the people's livelihood; playing the role of organizing in a planned way the circulation of socialist commodities, assuring market supply, keeping prices stable and maintaining a propserous market; (2) Taking part in market regulations, using economic methods to stabilize the market and helping the departments concerned to strike at speculation and profiteering; (3) Playing the role of promoting and guiding the development of collective and individual commercial enterprises; (4) Setting an example and playing a leading role in carrying out the party's principles and policies, in doing business in a civil manner and in servicing with top quality. Viewing from the present market situation, even though collective and individual commercial points and networks have had a rather big development, most of them are retail ones,

especially in the trade of food and drink and in trades of different kinds of services. Most of the wholesale links are still in the hands of state-run commercial enterprises and they still are the major channel of purchasing industrial products and farm and subsidiary products, and control important commodities related to the national economy and the people's livelihood. Thus, it is possible for state-run commercial enterprises to bring into play the positive operation of commerce of different economic entities, to enlarge commodities exchange, to effectively supply markets both in towns and in villages and to serve consumers better by means of rational distribution of supply of goods, of rational establishment of wholesale points and networks and of rational organization of commodity circulation, etc. Therefore, it is not necessary at all for us to worry that state-run commercial enterprises will lose their leading role.

In the field of retail commodities, a considerable proportion is held by state-run commercial units. They could and should utilize their practical performances in doing business in a civil manner and to exert influences upon commercial units of other economic entities in the same trade, leading and conditioning them to carry out state price and supply policies, to observe socialist commercial morality, to support each other and coordinate closely in making great effort for the accomplishment of common tasks. Meanwhile, the co-existence of commercial units of different elements is also advantageous for state-run commercial units in improving their management ways and their ideology and work style. All of us remember that in the period of the "Great Leap Forward" and the "Cultural Revolution," there were few individual commercial units left and collective ones existed only in name. During those periods, on the surface, the leading position of state-run commerce was raised, but actually it had changed to a monopolistic operation. The habitual practice of "bureaucratic commerce" was growing gradually and the quality of service was going down day by day; all these had serious consequences on industrial and agricultural production and the people's livelihood. At present, since collective and individual commerce have resumed and developed, they are not only rectifying the deficiency of state-run commerce to provide convenience for the people, but are also beneficial for state-run commercial enterprises in improving their management quality, enabling them to fully play their leading role as well.

12272

CSO: 4006/368

DOMESTIC TRADE

TEN MAJOR CHANGES IN LIAONING'S MARKET DESCRIBED

Shenyang SHICHANG ZHOUBAO in Chinese 4 Jan 83 p 3

[Article: "Ten Major Changes in Our Province's Market in 1982"]

[Text] Nineteen-eighty-two was a year of fairly great changes in the market in our province of any year since the founding of the nation. The changes were manifested primarily in the following ten areas.

1. The market shifted from a state of fluctuation to one of stability. Last year, there was a succession of occurrences of panic purchasing throughout the entire province of matches, soap, pork, sugar and plain white cloth and in some regions of table salt. The state adopted a series of measures in response to this and stabilized the situation very quickly. After the Spring Festival, the supply of pork was again increased and this eliminated the spirit of uneasiness among the masses.

2. In supply and demand, there was a change from a contradiction in quantity to a contradiction in quality. In the past, consumers held on to their money and waited to make purchases. If they saw a product, then they bought it. Beginning this year as the market relaxed, a spirit of saving up money and making selective purchases arose, with the masses placing importance on the quality and style of goods and considering price and actual use. Market supply and demand has already shifted from a contradiction of quantity to contradictions of varieties, quality, designs, standards and price. The consumers are making continually higher demands in products and their selectivity is becoming increasingly more intense. Management units are cautious in purchasing goods and are active in promoting sales.

3. Market competition is becoming more intense. In terms of lines of trade, there is pronounced competition in such trades as food and drink, clothings, shoes and hats and hand-sewn textile goods. In terms of economic modes, not only is there competition between state-run, collective and individual enterprises, but a large number of industrial and agricultural production sectors have also become engaged in commercial competition. In terms of substance, there is not only competition in regard to quality, price, style, and design, but competition is also developing in such areas as service attitude and depth and breadth of service.

4. The amplitude of credit withdrawal of currency has greater than product withdrawal. Urban and rural savings deposits throughout the entire province this year increase by about 33 percent over last year while the amplitude of increase in the retail amount of social products was about 5 percent. The increase in credit withdrawal of currency was greater than product withdrawal. This reflects the stabilization of the purchasing mood among urban and rural residents.

5. There has been a comparative great turn for the better in the supply of nonstaple foods on the market. In the past, the supply of nonstaple foods in our province has always been tight, there having been comparatively severe shortages of tobacco, wine, candy, pastries, meat, eggs, fowl, aquatic products, vegetables and bean products. After the Spring Festival last year, there was a distinct turn for the better in the supply of tobacco, wine, candy and pastries. There was a basic equilibrium in the appearance of vegetables on the market. The supply of bean products was better than the year before last. At present, except for beef, mutton, aquatic products and chicken eggs, which are still in short supply, the situation has basically relaxed for other products.

6. There is a large number of varieties of textile products, their quality has been improved and their prices have fallen. With the rapid development of the light textile industry, there is a good state not seen before in the textile products market in our province. A very large variety of products is on the market and they are a feast for the eyes. There has been a change in the previous situation of supply not meeting demand in the case of pure cotton and pure wool textile products. The quality of chemical fiber products has been continuously increased and their prices have fallen.

7. The demand for old large items has fallen and the demand for new large items has risen. Except for wristwatches, the demand for old large items has generally fallen. Last year, sales of bicycles by state-run commercial enterprises fell 7.6 percent, sales of sewing machines fell 34 percent and sales of wooden bells fell 40 percent. However, there was a general increase in the case of new large items, with sales of electric fans and electric refrigerators doubling, sales of television sets holding steady and sales of tape recorders rising 27.8 percent.

8. Vigorous sales of means of production have continued. Since the fourth quarter of the year before last, there has been a rapid pick-up in heavy industry as the result of the readjustment in the direction of its service. In the rural villages there has been an expansion of area under double contracting and there has been a continual expansion in building of housing in cities and villages. There have been increases in the demand for metal tools, building materials, electrical materials and appliances and paints from the chemical industry. There has been a shift from the poor sales in the first half of the year before last to great demand. The total amount of sales of means of production in the province as a whole in 1982 was 12.1 billion yuan, an increase of 1.9 percent as compared to 1981.

9. There is a well-developed market for local products of daily use. With the development of the rural economy and of subsidiary enterprises by peasant

families, the demand for locally made miscellaneous products for daily use is continually growing, with a high degree of increase in the magnitude of sales having occurred. In 1982, there was an increase of 6.9 percent as compared to 1981. The problems that residents of cities and towns in our province once had in buying brooms and brushes have been solved.

10. Market trade has become more active. There was an unusually great increase in country fair trade in the cities and villages of our province in 1982, with the amount of trade exceeding 10 billion yuan. This was an increase of 20 percent over that of 1981. The development of country fair trade has resulted in adjustment of shortages and surpluses in the people's daily necessities and has made the city and village markets very brisk.

10019

CSO: 4006/371

DOMESTIC TRADE

PROBLEMS OF INDIVIDUAL INDUSTRIAL, COMMERCIAL HOUSEHOLDS EXAMINED

Beijing JINGJI RIBAO in Chinese 19 Feb 83 p 1

[Article: "Individual Industrial and Commercial Households in Many Regions Are Suffering From Difficulties and Being Squeezed Out; The Legal Rights and Benefits of the Individual Economy Should Be Protected in Accordance With the Stipulations of the Constitution"]

[Text] There has been a definite recovery and development among individual industrial and commercial households in various regions this year. However, there are still severe difficulties and considerable resistance in many regions. The concrete manifestations of this are in the following areas.

1. Official obstacles are everywhere and it is difficult for an individual industrial or commercial household to apply to start a business. In some regions, individual industrial and commercial households must go through a "fivefold bureaucratic maze" when they apply for approval to start a business. That is they can go ahead only after they have secured the agreement of the commercial, food, supply and marketing, public health and public security departments. In particular districts, an individual household that applies to start a business must receive the consent of more than 10 departments, including the residents' committee, the public security station, the neighborhood service company, the communication unit, the health and quarantine station, the tree-planting department and the urban construction department. Finally, the industrial and commercial departments must issue a business permit. This can take a year and a half at the longest and several months at the shortest.

2. There are laws that are not complied with and the legal rights and interests of individual industrial and commercial households do not receive legal protection. In some regions, individual households are subjected to arbitrary interference and arbitrary penalties and their business permits are confiscated, with the result that they are driven out at will and even suppressed. Wang Baohui, a young person awaiting employment in the Lixia District of Jinan City in Shandong Province, received approval from the Industrial and Commercial Administrative Department to do business as a photographer outside the south gate of Da Ming Lake Park. The workers of the park made trouble for him many times until they finally forced Wang Baohui to leave the Lixia District and look for a way to make a living somewhere else.

Liu Shengnian, of an industrial and commercial household in Guanzhen, the county seat of Anren County in Hunan Province, originally was granted approval to operate a mirror-making business. He operated the business for more than a year and made a profit of over 2,000 yuan. Responsible persons in the country felt that his income was too high and finally rescinded his business permit without authorization.

3. There is a large number of items for which fees are collected, with individual industrial and commercial households bearing too heavy a responsibility. According to statistics for some regions, there are more than 10 fee items that are collected from individual industrial and commercial households, including a health fee, a city appearance administrative fee, a grounds fee, a public order administrative fee, a business application fee and a neighborhood sideline occupation deduction fee. In Chengguan in Sha County, Fujian Province, after an individual household receives the consent of the neighborhood to start a business, the administrative fee that must be paid to the neighborhood residents' committee each month is on a few occasions a few yuan but in many cases 50 or 60 yuan, and, in some cases, over 200 yuan. The department concerned in Kaili County of Guizhou uses the methods of pulling out too many feathers from the goose and stripping off the skin layer after layer in collecting fees from individual industrial and commercial households. When an individual household applies to start a business, the commune collects a fee of 15 yuan for affixing signatures and seals.

The individual economy of city and village laborers within the scope of the legal provisions is a supplement to the economy of the socialist public ownership system. The state safeguards the legal rights and interests of the individual economy. The aforementioned problems arise primarily because "leftist" influences have not been eliminated and because some cadres have a hazy concept of the legal system.

10019

CSO: 4006/371

DOMESTIC TRADE

WAYS TO HANDLE INDIVIDUAL TRAFFIC DISCUSSED

Beijing JINGJI RIBAO in Chinese 31 Jan 83 p 3

[Article by Hao Zhixin [6787 1807 2450]: "The Problem of How to Deal with Individual Transport of Goods for Sale"]

[Text] Private transport of goods for sale supplemental to state-operated commerce planning channels. We should not treat private traffic as opportunistic "Two Road Dealers," but should protect its legitimate business operations and legitimate profits and suppress illegal activities. Strengthen administrative guidance and develop enthusiasm of those engaged in private traffic for flexible business operations and for making things convenient for the people.

In the present stage of commodity circulation in China, should individual traders be regarded as supplementary? When doing research on this question, one should be directed by the guiding policy of "relying mainly on the planned economy supplemented by market regulation," and proceed from what is beneficial for the development of a socialist commodity economy, from the viewpoint of enlivening the market, and from the oriental as well as practical viewpoints to analyze advantages and disadvantages and study effective measures.

Currently, the impeded commodity circulation channels affect the normal development of commodity production and commodity circulation. Stipulations currently in effect barely permit individuals to transport goods by their own power, be it carrying by hand, by shoulder or bicycle pack. This is not advantageous for further developing such supplementary functions of private traffic as flexible business operations, few circulation links, quick turnovers, making good omissions and deficiencies and making things convenient for the people. Appropriate revisions of these stipulations must be carried out.

Some people explain the private transport of goods for sale as developing capitalism, equating long-distance traffic with profiteering. This is not correct. One cannot use the distance of transportation to judge the legality or illegality of being engaged in commodity trading. The transportation distances in the circulation of commodities is determined by the supply-demand relations commodities. One should not say that short-distance traffic is legal, and that long-distance traffic is illegal and is profiteering. Long-distance and short-distance traffic both have legal and illegal aspects. One should not consider long-distance traffic as the profiteering.

If we want to correctly develop the supplementary functions of private traffic in the circulation of commodities, we need to resolve several aspects of the problem.

First, we must continue to eliminate the leftist ideological influence and appropriately define the position of private traffic in the circulation of commodities. The planned circulation of state-operated commerce is the main part, and it is necessary to ensure that the main channels are unimpeded. Individual traffic is supplementary. We cannot vacillate on this point.

Second, it is necessary to break up regional blockades and organize commodity circulation on the basis of economic divisions.

Third, it is necessary to overcome the government-merchant ideology, and after the sanctions of the industrial and commercial administrative departments, and in accordance with state policy stipulations, individual retailers should be permitted to engage in traffic. The state-operated commerce should raise economic results by improving management and administration, and adopt economic measures to develop their leadership role.

Fourth, we must realistically publicize the function of individual traffic in the circulation of commodities. The label of individual retailers must be cast off. They should not be called "two road dealers" in our propaganda and mass media. What is important is distinguishing legal and illegal traffic.

Fifth, the retailers who own business licenses issued by the industrial and commercial administrative departments and engage in traffic activities according to the established policy should be protected by law. A few among them may break rules and regulations. Nonetheless, so long as they do not violate criminal laws, no department or individual except the industrial and commercial administrative departments can close their business or revoke their business licenses.

Sixth, the legitimate income of individuals engaged in transport of goods for sale should receive protection. When judging whether or not private traffic activity is legitimate or not, one should not take the amount of profit to be a criterion. Generally speaking, individuals engaged in traffic activity, like state-operated commerce, make a profit from regional price differences. Their labor should also be treated as labor in the process of transport. They gather together producers' dispersed and scattered commodities and transport them into the city or the consumption area. The income they earn from this should be part of income from labor. To balance their earnings, we can fully use the function of the tax revenue as an economic lever.

Seventh, administrative control should be strengthened. We must both affirm the positive effects of individuals engaged in transport of goods for sale and notice the negative effects caused by their doing business blindly and pursuing profits illegally, which may adversely affect state plans. Under actual conditions, there actually have been a few, who have taken advantage of the relaxed restrictions of policies and of our efforts to enliven the economy, speculate to secure private gain and fight the state in buying major farm and sideline products which are in very short supply; and adversely affect the state procurement plan. Some illegally buy up commodities which are in short supply from state-operated retail stores and increase the price when they resell at a profit. They undermine the planned supply policy of the state. Some monopolize the market by purchasing the commodities which farmers bring into town. They disrupt the market order and seek staggering profits.

Because of these things, it is necessary to strengthen administrative control and supervision to protect legal businesses operations and to suppress illegal activities. Guidance and supervision should be conducted with leadership and within necessary limits to make them carry out business activities within the permissible range of state policy. Commune members engaged in traffic activities must get the approval of production teams, have the sanction of industrial and commercial administrative departments, and be issued business licenses (long term or temporary). Businesses must operate within the scope of the sanctions. They are prohibited from raising prices and making rush-purchases of commodities that have been planned to be procured by the state. This would do great damage to the state plan. They are prohibited from driving up prices in an attempt to gain illegal profits. They are prohibited from illegally buying up commodities, which are in short supply, from state-operated retail stores and raising their prices for selling. They are prohibited from monopolizing the market and disrupting the market order. They must pay taxes in accordance with the regulations: they are prohibited from evading taxes.

Experience has proved that permitting individuals to engage in traffic is correct. Despite the existence of various problems, we can say that the main trend is good. Some problems are work related and some policy related. In the course of implementation, it remains necessary to sum up our experience and strive to attain perfection. They require that we become closely involved in surveys and research, that we research new circumstances, and that we resolve new problems.

12269

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DOMESTIC TRADE

BRISK BUYING, SELLING IN FUJIAN'S MARKETS DESCRIBED

Fuzhou FUJIAN RIBAO in Chinese 1 Feb 83 p 1

[Article by the News Group of the Provincial Finance Office: "Fujian's Urban and Rural Markets have Brisk Trading: Last Year the Rural Commerce Total Sales Were Worth 2.7 Billion Yuan, Setting the Highest Record in History"]

[Text] In 1982, along with the development of industrial and agricultural production and the rise of the people's standard of living, commercial enterprises in Fujian's cities and towns experienced brisk buying and selling; and the market was brisk as well as active. The total value of purchase and sales in urban and rural commerce for the whole province overfulfilled the planned target. Compared with 1981, the volume of purchase increased 4.6 percent; and the volume of sales, 7.2 percent. The variety of the colors and designs of commodities increased, and the quantity also increased. The excellent market conditions had rarely appeared for many years.

In 1982, the commercial departments in Fujian's rural and urban areas became closely involved in implementing the spirit of the 3d Plenary Session of the 11th CPC Central Committee and the 12th CPC National Congress to further clear away the leftist ideological influence, to continue to emancipate the mind, to relax policy (restrictions), to facilitate the channels of commodity circulation and to enliven the economy. A more gratifying market situation emerged accordingly. As a result of the relaxed policy regulations, the procurement of farm and sideline products accelerated production, raised the commodity rate and increased the purchase volume of most farm and sideline products. In particular, compared to the previous year, the purchase volume of such important farm and sideline products as tea, flue-cured tobacco, fresh eggs, oranges, tangerines and mao bamboo increased considerably. After fulfilling the state procurement plan, there was a large increase in the volume of commodities brought independently to the market. (Thus,) in 1982 the total volume of business in urban and rural trade fairs of the whole province reached 1.2 billion yuan, an increase of 18.3 percent over the previous year. (When) the urban and rural channels of commodity circulation were initially cleared, the long-term insufficient supply of industrial products in the countryside began to take a turn for the better. The annual total commerce sales in the rural areas reached over 2,710 million yuan, setting the highest record in history. Each of the "three great articles" (sewing machines, wristwatches and bicycles) demanded by the farmers increased more than 50 to 100 percent. Commercial trade forms, under the guiding principle of "relying mainly on the state plan supplemented by market regulation," energetically launched agro-commercial, industrial-commercial and intra-commercial

joint operations and selling on a commission basis. Furthermore, some commodities were sold by such diversified flexible methods as collecting payment in advance, placing an order in advance and making payment in advance, payment by installments, and circuit exhibition sales. At the same time, a ban on small commodity markets was also lifted that made purchasing even more convenient for the people. There was a continued large increase in the volume of high- and medium-grade durable consumer goods put on the market. Sewing machines, wrist-watches and bicycles increased 21 to 34 percent respectively; desk fans and radios increased over 50 percent and televisions increased 170 percent. The variety of colors and designs of most daily consumer goods continued to increase, and some commodities already shifted from a seller's market to a buyer's market. There was relatively great development in collective and individual commerce. The commodity value of the state-operated commerce supplied to collective commerce increased 51 percent over the previous year, and the value of commodities supplied to individual commerce increased 3.6-fold over the previous year. This made up for the inadequacy of the commercial networks of state-operated commerce. The difficulty of feeding in urban and rural areas, the difficulty of getting accommodations and the difficulty of buying things were further improved.

At present, each department in the field of commodity circulation is in the process of acting in accordance with the plans of the party Central Committee and the State Council to speed up the pace of reforms, to promote the development of commodity production, to invigorate the urban and rural economies and to initiate new prospects in the domain of commodity circulation.

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FOREIGN TRADE

YUNNAN EXPORTING ELECTROMECHANICAL PRODUCTS

Kunming YUNNAN WUZI SHICHANG in Chinese 16 Jan 83 p 1

[Article by Shen Jusi [3088 1446 0674]: "Yunnan's Exports of Electromechanical Products Are Ahead of Schedule; State Plans Overfulfilled"]

[Text] Yunnan's exports of electromechanical products are 11 days ahead of schedule; state plans for 1982 were surpassed by 3 percent. The volume of exports was 2.6 times greater than in 1981. There were 22 new export commodities, and products have been marketed in 25 countries and regions, including the United States, United Kingdom, France, West Germany, Italy, and Australia.

Scientific research and technological work have been stepped up in Yunnan's machinery industry. Technical progress has been combined with export promotion, so that exports increase as technological progress is stimulated. Not only do such products as machine tools, diesel engines, and bearings meet the requirements of international markets, but there has also been constant adoption of the good points of similar foreign products, the making of necessary improvements, and improvements in the quality and technical performance of these export products. The Yuxi Machine Tool Plant has made over 20 improvements to its CW 6228 Standard Lathe to meet the requirements of U.S. markets; this year it has already exported 20 lathes to such countries as the United States, United Kingdom, and France, and there are already orders for more than 50 lathes for next year.

In order to improve the suitability and competitiveness for export of Yunnan's electromechanical products, Yunnan's machinery industry has actively propagated and adopted international standards. Sixty percent of the export volume of export products and products processed according to foreign specifications were manufactured in accordance with international standards this year. Products such as electric wires and cables, rubber and plastic processing machinery, and cutting tools are already being manufactured in accordance with international standards. The Yunnan Internal Combustion Engine Plant and the Yunnan Jinma Diesel Engine Plant has met the requirements of customers in such countries as the United States, Australia, and the Sudan by improving the power takeoff equipment and cooling systems of diesel engines in accordance with SIE standards, thereby expanding the uses of this diesel engine in international markets. At present, large-scale precision machine tools, electrical wires and cables, diesel engines, and cutting tools made in Yunnan are already entering European and American markets in large quantities.

FOREIGN TRADE

CONTRACT WORKERS EMPLOYED IN SHENZHEN ECONOMIC ZONE

Guangdong YANGCHENG WANBAO in Chinese 29 Jan 83 p 1

[Special dispatch by correspondents Huang Xinhua [7806 2450 5478] and Diao Jianming [0431 0256 2494] and reporter Yang Guoyan [2799 0948 1750]: "Open Recruitment--Voluntary Application--Examination--Selection of the Best; Over 3,000 Contract Workers for Shenzhen. Method Adopted by 82 Enterprises in the Special Economic Zone; Labor Departments Believe This Method Will Improve the Quality and Rational Allocation of Labor Power"]

[Text] A labor recruitment fever is sweeping the Shenzhen Special Economic Zone: 3,686 young people waiting for employment have applied to be contract workers.

In recent days there have been crowds around the advertisement columns in the streets of Shenzhen. The reason is that these advertisement columns are covered with recruitment announcements and procedures for some labor recruiting units such as factories, hotels, and restaurants. The question "Which unit should I apply to?" has become the main topic for discussion among youths waiting for employment in Shenzhen. Many young people ponder their choices in the recruitment advertising columns.

According to a responsible person of the Shenzhen municipal labor departments, over 10 enterprises have recently been given permission to recruit contract workers. He said that in order to reform the organization of labor power, to improve, to economize on the use of labor power, and to meet the development requirements of the Special Economic Zone, some joint venture and cooperative enterprises have since 1980 been using, on a trial basis, the method of labor recruitment by the employing units themselves. Workers voluntarily apply and take examinations, and the best are selected. Those selected sign a contract with the employing unit and become contract workers. Over 2 years of trials have shown that this method gets extraordinarily good results, and it has continued to be used. At present there are 82 enterprises in the Special Economic Zone which employ a total of 3,686 contract workers: these include 58 Special Economic Zone enterprises (that is, private sole proprietorships, joint ventures, and cooperative enterprises) employing 2,628 workers, and 24 state-owned enterprises employing 1,058 workers.

The manager of the Boya Art Gallery, which has already recruited and tested contract workers for two contract periods, told our reporters that the system of open recruitment, enterprise selection of workers, and employment of contract workers is far superior to centralized assignment; it also avoids the evils of getting in by the back door. Over 200 persons applied for the two contract periods; all those hired had to pass interviews and written tests--those who failed to pass or meet the standards were not hired. The Youyi Restaurant was the first unit to make use of the open recruitment of contract workers. Today many of those contract workers have become the backbone of the enterprise; when their contract periods are over they sign up again. Thirteen contract workers who committed acts of graft and embezzlement or violated rules have been dismissed or discharged, in accordance with the contract provisions.

A contract worker in the tourism industry told our reports that he had voluntarily selected this line of work. He said that he is very happy with his job, and that he studies English 3 nights a week so that he can win a promotion when he is evaluated.

The labor departments have together issued a "Labor Handbook" to each contract worker. The handbook is used to record the employment, seniority provisions, labor insurance, and welfare benefits of the contract workers.

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GENERAL

STANDARD OF LIVING IN NINGXIA 'NOTICEABLY' IMPROVED

Yinchuan NINGXIA RIBAO in Chinese 13 Feb 83 p 1

[Article by Staff Reporter Ning Tong [1380 4827]: "The People's Standard of Living in the Rural and Urban Areas of Our Autonomous Region Is Notably Improved--Level of Consumption Raised, Savings Increased, Housing Conditions Improved, Cultural Life Enriched"]

[Text] In 1982, all levels of the people's government of the Ningxia Hui Autonomous Region earnestly implemented the policy of "first feed the people and second, build the country." We made appropriate arrangements for economic construction and for the people's livelihood. On the foundations of developing production, we made notable improvements in the material and cultural standards in the rural and urban areas of the whole autonomous region.

The first was the raising of the people's level of consumption and standard of living. With the development of production, people's income increased which correspondingly raised the level of consumption. In 1982 there was an increase of 10.9 percent over the previous year in the volume of retail sales of consumer goods in the whole autonomous region, and after deducting the factor of inflation the increase was still 8.1 percent. The quantity of consumption of the people's important daily consumer goods increased very quickly. Compared with the previous year, while pork was reduced, lamb increased 12.4 percent and cotton cloth and chemical fibre cloth increased 2.5 percent. With regard to consumption structure, there were also great changes. There were new conditions in the people's cost of living expenses. There was a relative decline in the proportion of expenditures used to buy food and a relative increase in the proportion of expenditures used to purchase clothing and useful commodities. Moreover, the selection of food, clothing and useful commodities already changed higher nutritious food and high- and medium-grade products.

The second was the prosperous standard of living and the increased savings of urban and rural residents. In 1982, the sum of the savings deposits in the whole autonomous region reached over 257 million yuan, or a net increase of 73 million yuan over the previous year. (This was) an average deposit of 66.1 yuan for each person of the whole autonomous region which surpassed the 1981 national average. Particularly since the rural areas carried out the economic responsibility system, agricultural production has developed very quickly, farmers' income has increased and the extent of the rise of savings in the rural areas has exceeded that in the cities.

The third was further improvement of the housing situation. To improve the urban housing situation, in 1982 the state took out a special fund to build living quarters. This year the newly completed construction of residential areas reached 468,000 square meters. Based on the population count of cities and towns, this was an average increase of 2.24 square meters of residential area for each family. In the rural areas, after production and livelihood were ensured, almost everyone used their extra money to build new houses. In light of the survey of the typical rural households, the living space for each person already reached an average of 10.7 square meters.

The fourth was an increase in the acquisition of furnishings and durable consumer goods. Practically every family among urban staff and workers had a wardrobe and a four-corner table, and a considerable number of households also had sofas. Each of the average rural households also had about two pieces of large wooden furniture. Due to the large supply of bicycles, sewing machines and televisions, there was a corresponding increase in the possession of durable consumer goods per 100 households. For example, from January to September of last year, there were five newly added bicycles, twelve sewing machines and fifteen televisions for each 100 households of urban staff and workers. Televisions became so popular among the urban residents that ownership rate reached 80 percent. Twenty percent of staff and workers' families purchased washing machines, and several affluent families also purchased electric fans, refrigerators and other electric household appliances. In the rural areas, there were also some commune members who bought color televisions and complete sets of new-style furniture.

The fifth was the even more enriched cultural life of the people. In order to invigorate the urban and rural people's cultural life, each theatrical troupe of the autonomous region formed small teams to tour the countryside and factories. At the same time, movie distribution and showing work was strengthened. For one year 220,000 movies were shown throughout the autonomous region with an audience of 106 million. Not counting the elderly and children, this means that each person saw an average of 35 movies in one year. People had new requirements of nourishing their minds and they yearned for an increase in scientific cultural knowledge. As a result, more than 20 million copies of newspaper and periodicals were distributed in the whole autonomous region; and copies of every type of book in Chinese were put up for sale, an increase of 9.7 percent over the previous year.

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GENERAL

SHANGHAI'S MANPOWER TRAINING PROGRAM OUTLINED

Beijing GUANGMING RIBAO in Chinese 9 Feb 83 p 2

[Article by Staff Reporter: "Synchronization of Economic Development Planning and Manpower Training Planning: Reform Plan Work for Shanghai in Light of Practical Conditions; Municipal Government's Special Founding of Manpower Development And Survey Work Groups"]

[Text] Journalist Zhang Yifu [1728 6318 1788] and correspondent Qiao Yu [0829 5038] report that the Shanghai people's government proposed that economic development planning work must keep pace with manpower training planning. This was based on the fact that the growth rate of Shanghai's natural science technical personnel in proportion to the total number of staff and workers tends to lag behind the national average. This is a major reform of the planning work.

Not long ago, some correlative figures were discovered from the "China Statistical Yearbook--1981" and from the data provided by the Municipal Statistics Bureau. In 1981, natural science technical personnel constituted 7.14 percent of the entire Shanghai work force, ranking only number eleven among China's provinces, municipalities and autonomous regions.

From 1965 to 1981 China's natural science technical personnel increased from 2.57 million to 5.71 million, an increase of 120 percent. In Shanghai, however, the increase was from 157,000 to 260,000, an increase of only 66 percent. In 1964, Shanghai's engineers and technicians of industrial enterprises owned by the whole people constituted 5.1 percent of the entire work force. In 1981 it had, indeed, dropped to 4.2 percent.

As these figures indicate, Shanghai's scientific and technical force originally had a comparatively great superiority, but now is clearly tending to weaken. According to the survey and analysis of the Shanghai Municipal Bureau of Higher Education, the reasons are multi-faceted. There are four major reasons. (1) For a long period, due to the leftist ideological influence, many people do not put education in an important position in the "four modernizations" program. This causes the development of education to lag behind the development of production. (2) Comrades in many departments are content with Shanghai's high gross value of industrial output, high labor productivity and high economic results, but lack a sense of urgency with regard to manpower training. (3)

For many years the economic planning departments have only worked out economic development plans, but not manpower training plans. This has caused the two to be out of line. (4) The majority of Shanghai's old universities are geared to the nationwide needs and are under the jurisdiction of the Ministry of Education. Comparatively few of the graduates stay in Shanghai and the existing scale of local colleges and universities do not fit the objective requirements.

The leading comrades of the Shanghai Municipal CPC Committee and the municipal people's government give a great deal of attention to this state of affairs. Recently, manpower development and survey work groups were specially set up by the planning, economic, personnel and education departments. Deputy Mayor Yang Kai [2799 1956] was made group director, and the work has already been launched.

Now the Municipal Bureau of Higher Education, on the basis of a manpower survey, is organizing over 90 cadres and teachers of 15 institutions of higher education to conduct a thorough investigation and study in offices and grass-roots units in dozens of districts counties and bureaus throughout the municipality. Within 2 months they will be able to come out with a municipality-wide specialized manpower survey report. Ten suburban counties are also convening manpower training planning conferences and, on the basis of the formulation of the 1983-1990 economic development plan, each county will put forward the quantity, quality and special needs of specialized manpower required for all trades and professions in the rural areas. Among these ten counties, during the 3-year period from 1983 to 1985, an additional 9,000 graduates of institutions of higher learning are required. This is an average of 300 people from each county per year. This training program is being studied and implemented by the Municipal Bureau of Higher Education and every institution of higher learning. They are implementing the principle of: "what comes from the county goes back to the county" along with the intra-plan directional admissions system, and the system of the extra-plan contractual authorized outside training. These two channels will satisfy the need for specialized manpower in the rural areas.

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